Missing millions
Following the Maxwell trail
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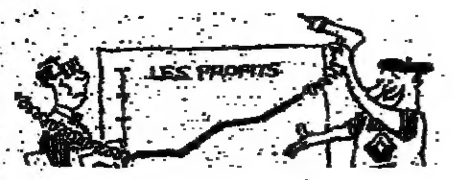

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FINANCIAL TIMES

Wednesday June 3 1992 | EUROPE'S BUSINESS NEWSPAPER | D8523A

Bosnian ceasefire scuppered by attack on convoy

Hopes of implementing any ceasefire in Bosnia-Hercegovina collapsed after an aid worker with a humanitarian relief convoy was killed in an attack by Serb militia on the outskirts of the capital Sarajevo, and fighting spread to other parts of the republic. Page 14

Qantas, Australia's state-owned international carrier, is to pay A$400m ($300m) for domestic carrier Australian Airlines, in a move that will lead to the privatisation of the merged airline. Page 15

The Earth Summit starts in Rio de Janeiro today amid signs that the toughest negotiations will be about money, not the environment. The conference secretary-general, said: "Finance is the key issue .... not many nations, even the rich, are feeling rich and generous." Page 6

Standard Chartered, UK-based international bank, has an exposure of up to Rs10.55bn ($360m) in India's biggest securities scandal, according to a new report. Page 15

Cocom reconstituted: Cocom, the multilateral body which controlled the sale of western technology to communist countries, agreed to a US suggestion that former Soviet republics be asked to join a new body to deal with export controls.

Pharmaceuticals: Shares in Bristol-Myers Squibb, world's third largest pharmaceuticals company, fell by 10 per cent yesterday, after the group forecast a small earnings advance in the second quarter. The warning hit other drugs company stocks. Page 15

Foster's: Uncertainty over the future of Foster's Brewing Group was ended when Broken Hill Pty appointed receivers to International Brewing Investments, removing control of IBI's 32 per cent shareholding in Foster's. Page 15; Lex, Page 14

Gascoigne fit for £5.5m soccer deal

Paul Gascoigne (left), the British football player sold to Italian club Lazio for a transfer fee of £5.5m ($10m), celebrates his return to fitness after an injury that kept him out of the game for the whole of last season. Gascoigne, famed in the UK for his antics on and off the field, had to prove his fitness before the transfer from Tottenham Hotspur could go ahead.

Chip deal edges closer: On the eve of critical US-Japan semiconductor trade talks, Micron Technology, a US memory chip maker, and NEC, Japan's biggest semiconductor producer, have reached a deal to sell each other's products. Page 5

European fighter: The UK voiced its "unqualified commitment" to the European fighter aircraft whether Germany participates or not.

US airlines: Debt securities at four US airlines – American, Delta, Northwest and USAir – have been downgraded, reflecting weak economic recovery and fears of domestic fares wars. Page 17

Deutsche Bank, Germany's biggest bank, has been accused of operating a domestic cartel with public sector savings institutions to keep interest rates low. Page 2

Rouble rate: Russia will take the first step towards making the rouble internally convertible by abolishing the special exchange rate of 55 roubles to the dollar from July 1. Page 3

General Electric shares dipped yesterday after the US Defence Department suspended aircraft engine contracts with the company because of allegations of fraud in the sale of military jet engines to Israel. Page 17

Fiji PM named: Sitiveni Rabuka, the former army officer who led two coups in 1987, was appointed prime minister of Fiji at the head of a coalition government. Page 4

Japanese students humbled: The economic downturn means that Japanese companies are cutting their graduate recruitment programmes. Page 14

US recovery: The official index of leading indicators rose for the fourth consecutive month in April, providing further evidence of sustained economic recovery through the summer. Page 6

Diamonds take a knock: Diamond may no longer be the hardest substance in the world after the discovery by US researchers of carbon nitride, a synthetic material which could have many industrial applications. Page 14

■ STOCK MARKET INDICES		
FT-SE 100:	2,785.9	(+8.3)
Yield	4.63	
FT-SE Eurotrack 100	1,209.27	(+4.15)
FT-A All Share	1,316.39	(+0.2%)
FT-A World Index	143.69	(-0.13%)
Nikkei	18,125.55	(+121.44)
New York:		
Dow Jones Ind Ave	3,396.1	(-17.11)
S&P Composite	412.5	(-3.8)
■ US CLOSING RATES		
Federal Funds:	$3\frac{13}{16}$%	($3\frac{13}{16}$%)
3-mo Treas Bills: Yld	3.887%	(3.816%)
Long Bond	$101\frac{9}{32}$	($101\frac{2}{32}$)
Yield	7.857%	(7.881%)
■ LONDON MONEY		
3-mo Interbank	10%	($10\frac{1}{32}$%)
Liffe long gilt future:	Sep $99\frac{5}{8}$	(Sep $99\frac{15}{32}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day (July)	$20.8	(20.825)
■ Gold		
New York Comex (June)	$339.3	(337.8)
London	$338.75	(337.2)

■ STERLING		
New York:		
$	1.813	(1.8255)
London:		
$	1.825	(1.823)
DM	2.935	(same)
FFr	9.85	(9.8625)
SFr	2.665	(2.6625)
Y	232.75	(232.25)
£ Index	92.7	(same)
■ DOLLAR		
New York:		
DM	1.6155	(1.606)
FFr	5.436	(5.3945)
SFr	1.4675	(1.45575)
Y	127.6	(127.025)
London:		
DM	1.6075	(1.61)
FFr	5.3975	(5.41)
SFr	1.4605	(1.461)
Y	127.5	(127.4)
$ Index	63.1	(63.2)
Tokyo close Y 127.48		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10		
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3900	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000		
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh8.00		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

Referendum result forces other 11 EC members to renegotiate treaty

Danes say 'no' to Maastricht

By Robert Taylor and Hilary Barnes in Copenhagen

THE DANES last night in a surprise result narrowly rejected the Maastricht treaty, blocking the accord on European political and monetary union as it now stands.

The outcome of the binding referendum will force the other 11 member states of the European Community to renegotiate if a modified form of the treaty is to go ahead.

The result was by a narrow margin, with 50.7 per cent voting against the treaty compared with 49.3 per cent in favour. The turnout was 82.9 per cent.

The voters ignored the advice of the political establishment, both sides of industry and an almost unanimous press. The referendum cannot be overturned by the Folketing (Parliament).

The electorate also surprised the financial markets which had counted on a Yes vote, and confounded the opinion pollsters, whose surveys in the last few days had pointed to a narrow victory for Maastricht.

Governments in the leading EC countries, including the UK, Germany and France, have said in recent weeks that a Danish No will not stop them from implementing European Union. But a senior EC official said last night: "There is an insurmountable requirement that if any of the 12 member states does not ratify it, Maastricht goes down the drain. We have made no contingency planning for a rejection."

Currency and bond markets reacted cautiously last night to early reports that Denmark's voters had rejected the Maastricht treaty. With fluctuating estimates of the vote available, currency dealers reported some buying interest in other member currencies of the European Monetary System, pushing the Danish krone down a little against most of them.

Mr Poul Schluter, the prime minister, said last night it is not realistic to expect a renegotiation of the treaty. "I am convinced that the other 11 members will carry out the Maastricht treaty, so it is up to us to get as much out of the situation as possible."

"We face a very difficult time. We must now think things through very carefully," said Mr Uffe Ellemann-Jensen, foreign minister, who fought hard to persuade voters to accept the treaty. When he was asked whether the government might consider trying to reverse last night's vote in a new referendum, the foreign minister said that it was too early to make any comment on this possibility.

However Mr Schluter held out the possibility that if Sweden and Finland join the EC, the position may have to be reconsidered again. He said he would call together the leaders of all the parties which recommended a Yes to Maastricht at 11am tomorrow to discuss the situation caused by the electorate's verdict.

The Danish vote may also have an important impact on opinion in the other Nordic countries, where Sweden and Finland have already applied for EC membership. Only one other country, Ireland, is holding a referendum on the treaty, which elsewhere will be ratified by the national parliaments.

MPs call for official Maxwell inquiry

By Alison Smith, Norma Cohen, Raymond Snoddy and Jimmy Burns in London

AN OFFICIAL investigation was called for by MPs yesterday into revelations that a web of private companies linked to the Maxwell family survives, apparently beyond the reach of administrators, while pensioners face the loss of benefits.

Pensioners expressed outrage at the disclosure in yesterday's *Financial Times* that the companies, some controlled from the secretive tax haven of Liechtenstein, were still trading.

As the political controversy surrounding the looting of more than £400m from the late Mr Robert Maxwell's businesses looked set to erupt again, Mr Kevin Maxwell, former chief executive of Maxwell Communication Corporation was yesterday working in the London office of a Liechtenstein company linked to the Maxwell family.

The listed four-storey building off Ludgate Hill in the City of London was rented over a month ago on behalf of Sphere Inc, a California computer games publisher which expects to have a turnover of $20m this year.

Mr Robert Maxwell, who died last November, bought an 80 per cent stake in the company, a stake which is held by the Maxwell Charitable Trust in Liechtenstein. Mr Kevin Maxwell refused to comment yesterday.

At the House of Commons, Mr Frank Field, Labour chairman of the cross-party social security select committee in the last parliament, said the revelations reinforced the case for re-establishing the committees, which were dissolved before the election, as soon as possible.

Mr Field said: "It's an incredible form of privatisation, that a public body with the staff to look into these areas is dependent on the FT's doing it for us." He said the news also raised the question of what other companies might be beyond the reach of creditors and the pensioners.

Kevin Maxwell at work in the London office of a Liechtenstein company with links to his family Picture by Ashley Ashwood

Mr David Shaw, Conservative MP and formerly a member of the social security committee, said there should clearly be a "full investigation by the Bank of England, the government or parliament" into the relationship between the UK-based Maxwell businesses and those controlled in Liechtenstein.

Mr Shaw has put down a parliamentary question asking Mr Michael Heseltine, president of the board of trade, to use his powers under the Financial Services Act to trace Maxwell pension moneys and Maxwell company assets to Liechtenstein and other countries outside the control of the UK.

Mr Michael Meacher, the shadow social security secretary, pressed further his call for a government statement on the plight of the Maxwell pensioners. The government is expected to announce next week a review of pension law.

Mr Doug Bristow, a Maxwell pensions campaigner, said of the disclosures: "I am sickened and staggered that the Maxwell heirs can still get their hands on huge amounts of money around the world, when the people who are really owed it haven't got a hope in hell of seeing a penny of it."

Roughly half of that scheme's 10,000 members face a 70 per cent cut in benefits beginning next month, and others who are deferred pensioners risk losing their entire pension benefits.

Mr Kenneth Trench, who heads the Maxwell Pensioners Action Group, said the the revelations underscored his group's arguments that the government had an obligation to compensate pensioners who had lost benefits.

Mr Trench said: "Why weren't regulators as suspicious as we were?"

Fivetell, one of more than 270 companies in which Mr Kevin Maxwell holds directorships, is being examined by investigators trying to find assets outside the control of the administrators.

Documents registered at Companies House also reveal a company called Panlor created six weeks after Mr Robert Maxwell's death. The shareholders and beneficiaries are Laura and Pandora Maxwell, the wives of Mr Kevin and Mr Ian Maxwell respectively, the two directors.

Link to Sphere, Page 7

Hongkong raises Midland bid to £3.9bn

By David Barchard and Norma Cohen in London and Robert Peston in Toronto

HONGKONG and Shanghai Banking Corporation yesterday increased its bid for Britain's Midland Bank to £3.9bn ($7bn), offering for the first time to pay shareholders partly in cash.

Midland's rival suitor, Lloyds Bank, responded by hinting that it may improve its proposed terms, if it is cleared to bid by the UK's Monopolies and Mergers Commission. Mr William Purves, HSBC chairman, said in Toronto his bank's new bid terms were "definitely the final offer". He was improving the offer now, earlier than he had needed to under the UK's Takeover Code, because it was "time to get uncertainty away from the thing".

Although Hongkong Bank will be free, under UK Takeover Panel rules, to renew its bid in the autumn if it does not succeed now, Mr Purves added: "If Midland shareholders turn us down and choose to wait for the outcome of the Monopolies inquiry to see if Lloyds is allowed to bid, those shareholders should not assume that we will make another bid then."

For each 100 shares in Midland, shareholders are being offered 120 shares in the new Hongkong Bank Holding Company after the merger and either £65 of bonds or £65 in cash. The offer values each Midland share at 480p. Last night Midland closed at 452p, up 31p.

The new terms were welcomed by Midland and its chief executive, Mr Brian Pearse, who said the bank would recommend that shareholders accept the offer. Midland is increasingly worried about the effect on its business of a prolonged takeover battle

Mr Brian Pitman, Lloyds chief executive, who was also in Toronto, at a meeting of the International Monetary Conference, said his board would be meeting on Friday. He hinted Lloyds was likely to improve the terms of its proposed offer.

"We will have to tell Midland's shareholders what our offer is worth now and what it could be worth later," he said.

In the City of London, some

Lex, Page 14
An astute move, Page 24

Bonn seeks to save almost $7bn in state health care

By Quentin Peel in Bonn and Paul Abrahams in London

THE German government is planning to save DM11bn ($6.7bn) a year in the state-subsidised health care system, at the expense of patients, doctors, and the drug industry.

The state subsidy has risen from DM5.5bn in 1991 to DM10bn in the current year. The German drugs market is the world's third largest after the US and Japan, worth about £6.4bn ($11.5bn) a year, according to Glaxo, the UK group.

Under the plan, presented yesterday by Mr Horst Seehofer, the new health minister, patients will pay much more for medicines; pharmaceutical prices will be cut by 5 per cent from next January – based on prices frozen at the level of May 1 1992; basic daily contributions for hospital care will rise from DM10 to DM11; and the quantity of medicines doctors may prescribe will be curbed.

Another proposal in the package, agreed by all three parties in the government coalition yesterday, would limit the number of doctors eligible to join state-funded health schemes.

The plan immediately ran into strong criticism from doctors and the opposition Social Democrats. Mr Klaus Kirschner, the SPD health spokesman, said patients were again being asked to pay for failed health service reforms introduced in 1988.

He said the increased prescription charges (requiring patients to pay 10 per cent of the cost of each medicine, from a minimum charge of DM3 to a maximum DM10) was a "flagrant breach of faith" by the coalition partners.

Most pharmaceuticals companies said they were waiting for full details of the proposals to be published. They expect a reference pricing system for asthma and ulcer drugs to be introduced imminently. The scheme would fix drug prices, and if companies want to charge more, the difference would be paid by the patient. Astra of Sweden and Glaxo of the UK are most likely to be affected.

Meanwhile, a spokesman for Bayer said that the company would have to study the plan in detail before giving any comment. Merck of the US, said it would not expect to be too heavily affected because it had not pushed through any price increases over the last couple of years.

The pharmaceutical companies are being asked to contribute a "solidarity payment" by accepting the 5 per cent price cut until the end of 1994.

The total package is intended to save DM8bn on the side of the pharmaceutical industry, the doctors and hospitals, with a DM3bn contribution from patients in the form of increased payments. Charges will be lower in east Germany than in the wealthy west.

CONTENTS

Deutsche Bank faces savings cartel charge

By David Waller in Frankfurt

DEUTSCHE BANK, Germany's biggest bank and one of Europe's most powerful financial institutions, has been accused of operating a domestic cartel with public sector savings institutions to keep interest rates low on the most popular form of savings accounts.

The German federal cartel office makes the charge in a letter sent to Mr Hilmar Kopper, the bank's chief executive, after he remarked at a shareholders' meeting that if the public sector savings banks raised their interest rates, the bank would follow suit "within 24 hours".

The cartel authorities have asked Mr Kopper to explain, suggesting that his reluctance to raise rates first is evidence of a lack of competition at the less sophisticated end of the savings market. The inquiry relates to a special type of account with interest rates of 2.5-3 per cent – lower than inflation and half as much as can be obtained on more sophisticated products.

Despite the low rates, these basic savings accounts are the most popular form of savings vehicle in Germany and deposits are thought to total DM500bn (£170bn).

Mr Kopper has been asked to explain whether his remark meant that Deutsche Bank has agreed with the savings banks only to raise interest rates after they did. The letter says that if this is the case, the big banks and the savings banks may have an improperly dominant position in the market, which allows them to keep interest rates artificially low.

"We are basically concerned that interest rates on these accounts are too low," a cartel office spokesman said yesterday. "If there really were competition you would expect Deutsche Bank just to put interest rates up."

Deutsche Bank said yesterday that the charges would be denied flatly. The bank is likely to argue that competition exists already – as individual regional branches are free to set different prices to compete according to local conditions.

The bank will also argue that Mr Kopper's remark has been taken out of context. The spokesman said the chief executive had meant that the bank – with only a 5 per cent share of this sector of the market – was not market leader.

The savings banks have denied fixing market rates and have accused Mr Kopper of speaking in a way hostile to a market economy.

German aerospace leader warns of big job losses

By Quentin Peel in Bonn

THE last-ditch battle to keep Germany in the multi-national European fighter aircraft (EFA) project was stepped up yesterday, with a strong hint from the aerospace industry that withdrawal would cost jobs in the Hamburg constituency of Mr Volker Rühe, the defence minister. Mr Rühe is determined to axe the fighter project from his budget.

Mr Jürgen Schrempp, chief executive of Deutsche Aerospace (Dasa), said loss of the company's main military aircraft contract would require a complete rethink of the split in manufacturing between Hamburg, where Dasa has most of its civil production, and Munich, where military manufacture is concentrated.

A negative decision by the end of the month would also mean the first of up to 10,000 lost jobs before the end of the year, he said.

Both Mr Schrempp, and other leading members of the aerospace industry, insist that the battle for the EFA, or Jäger-90 as it is known in Germany, is not lost. In Bonn, however, it is taken for granted that the battle is over.

At the final meeting of the expert working group of parliamentarians from the three parties in the ruling coalition, Mr Rühe made clear that he was determined to recommend a pull-out from the joint manufacture of the aircraft with Britain, Italy and Spain.

According to officials close to the talks, he argued that on present prices, the Defence Ministry could only afford 76 aircraft compared with an original order of 250, a revised order for 200, and a proposed reduction to just 140.

For his part, Mr Schrempp argued that the industry had offered a firm price, including value added tax (which goes back to the government as revenue) of DM95m ($58.2m) per aircraft. The industry would maintain that price even if the Luftwaffe bought only 140.

The key decision on the aircraft will be taken probably on June 23, at meetings of the parliamentary groups of the ruling parties, and not on June 16 as originally proposed. The latter date coincides with the opening of the Berlin international aerospace exhibition, which a decision to pull out of the EFA would undermine.

THE Swiss cabinet has proposed delaying a $2.3bn order of 34 McDonnell Douglas F/A-18 fighters following the success of a petition campaign against it, writes Ian Rodger in Zurich. Many Swiss business leaders, who are also top army officers, are appalled at the unprecedented popular intervention in procurement decisions. But others think the country's security needs have changed, and a sophisticated fighter like the F/A-18 is no longer needed.

Peugeot chief sets his sights on French presidency

Calvet's drive for political office

By William Dawkins in Paris

Calvet... "even if I have only one chance in a thousand".

PEUGEOT'S chairman, Mr Jacques Calvet, who said over the weekend he would like to run for French president in three years' time, is the latest businessman to bid for high office.

Like Ross Perot, the Texan billionaire aiming for the White House, Mr Calvet is right wing. But there the similarity ends. Mr Calvet, 61, is not a brash outsider with poorly formed policies, but a calculating and well-informed senior member of the political and business élite that runs France.

Mr Calvet's political ambitions are no surprise. "I am ready to put forward my candidacy.... even if I have one chance in a thousand of carrying it off," he told guests at the French Open tennis tournament. He has often been tipped for ministerial office and can hardly open his mouth without attacking the Socialists, the Japanese or the European Commission, to the despair of Peugeot executives who wish he would apply more of his powerful brain to selling cars.

This time, Mr Calvet has raised the stakes, in what looks like a sensible bet that voters will support someone who shares rising general anxiety about loss of French sovereignty in the wake of the Maastricht treaty on monetary and political union. He could also be betting that voters are tired of the same old figures on the right: the equivocal Mr Jacques Chirac, leader of the RPR Gaullist party, and former President Valéry Giscard d'Estaing, the remote Sphinx-like head of the centre-right UDF.

Mr Calvet's articulate attacks on European federalism and the shortcomings of the Maastricht treaty place him in line with a large rebel group in the RPR. Yet he is well out of line with the pro-European Mr Giscard d'Estaing, who happens to be his former political boss.

If Mr Calvet really does follow his ambitions, he could well find himself standing against Mr Giscard d'Estaing in a joint UDF and RPR primary. The Socialist candidate in the 1995 presidential election is likely to be either Mr Jacques Delors, the European Commission president – that would be a delicious confrontation – or the equally pro-European former prime minister, Mr Michel Rocard.

Even if Mr Calvet turns out to be bluffing, his declaration could well put pressure on the right to fight harder against the Maastricht treaty, still being ratified in France.

Not that he lacks the experience to compete for France's top job. As a star of the French élite, Mr Calvet has shown startling adaptability in his career. Educated at the Ecole Nationale d'Administration, the gilt-edged civil service college, he was head of Mr Giscard d'Estaing's private office when the latter was finance minister from 1970 to 1974. Later, Mr Calvet joined Banque Nationale de Paris, the largest state-owned bank, to become chairman only to be thrown out when the Socialists came to power in 1981.

The Peugeot family asked him to help out at the car group a year later, because it needed a strong manager who could turn round the near bankrupt company and fight off union attempts to have Peugeot nationalised.

Mr Calvet did both with panache, confronting the new Socialist government head-on with a heavy programme of Peugeot job cuts, at one point provoking riots outside a plant near Paris. The Peugeot family made him chairman in 1984 and it is as a result of Mr Calvet's toughness that the group's published net margins are now the best in the world car industry.

A handful of successors is now in place at Peugeot. He once said in an FT interview that "one should not stay for much longer than 10 years in a job," which would bring him neatly to 1994, a year before the elections.

Emu marathon a stiff test of Greek stamina

Greeks favour EC union, but are they ready to pay the price, asks Kerin Hope

FOR GREECE, the path to economic convergence with its European partners resembles a marathon course over a boulder-strewn mountainside.

After a decade of economic mismanagement, the country's chances of catching up with the rest of the Community by 1997, depend on deep spending cuts to bring the public sector debt from an estimated 140 per cent of gross domestic product this year to the Maastricht target of under 60 per cent.

The adjustment will be painful, says Mr Stefanos Manos, economy minister. The first draft of Greece's convergence plan calls for abolishing 40,000 public sector jobs (about 8 per cent of the total payroll) by 1994 and freezing pension payments for the next five years.

The plan also proposes a one percentage point cut in real wages each year until 1997, and postponement of income tax reductions included in a bill now before parliament.

The overall aim is to achieve savings of Dr200bn ($1.04bn) a year over the next five years, according to government advisers. Besides lowering the debt, these measures should reduce the public sector deficit, which totalled 16 per cent of GDP last year, to the 3 per cent level required for Emu participation.

The Greek inflation rate, at 16 per cent, is three times the Community average. But it appears to be on a steady downward trend, suggesting that the drachma will be able to join the wide band of the exchange rate mechanism by 1994. Greece would then stand a reasonable chance of meeting the Emu criterion of an inflation rate no more than 1.5 per cent above the EC's three best performers.

Joining Emu at the outset is crucial if Greece is to avoid being permanently relegated to the lower rung of a two-tier Community. Officially, it is already the poorest EC member. In fact, the size of the black economy, now estimated at about 40 per cent of GDP, gives Greeks a standard of living comparable with the Irish.

Though Greeks are overwhelmingly in favour of European political and economic union, according to opinion polls, it is not clear how many sacrifices they are ready to make. Public sector unions are already preparing strikes in response to last month's announcement of sweeping reforms of the pension system.

Much depends on whether the conservative government can build a consensus on the need to achieve convergence. If the opposition Socialists are willing to accept its costs, in the form of higher unemployment and fewer welfare benefits, the task will be easier.

On the other hand, the outlook is considerably brightened by anticipation of increased EC financial support, which would help boost economic growth to 3-3.5 per cent annually. Under the draft convergence plan Greece must maintain a growth rate of at least one point higher than the EC average in order to narrow the gap with its partners.

This is an ambitious but not impossible target provided it can obtain the maximum amount of EC funding available. Greek officials speak of receiving about Ecu2.2bn ($2.77bn) from the "cohesion fund" for poorer members and Ecu12bn from the existing structural funds by 1997.

At present the country has fewer than 50 miles of motorway, a rail network on which express trains average 40mph and a telephone system heavily reliant on east European equipment from the 1950s.

"Rapid modernisation of the infrastructure is a vital part of convergence. Otherwise we don't stand a chance of keeping up," says a Greek official.

UK supports wider area for Nato

By Robert Mauthner, Diplomatic Editor

BRITAIN yesterday came out firmly in support of a Nato peace-keeping role outside the area traditionally covered by the Atlantic alliance.

Mr Douglas Hurd, the British foreign secretary, speaking in London before a Nato ministerial meeting in Oslo later this week, said that Nato must make its resources available "when the international community has decided that action needs to be taken".

Though he stressed that Nato should not itself become a "pan-European policeman", it should be prepared to act under the authority of the United Nations or the 52-nation Conference on Security and Co-operation in Europe.

The advantage of this was that it would include the US, without expecting it to act alone. "It would be frivolous and dangerous to start separating the US and Canada from the security of Europe."

Mr Hurd stressed that Britain was not opposed to the recently-created Franco-German corps, as long as it was used under a Nato or Western European Union defence organisation hat. If it became a force which was completely separate from Nato, that would be contrary to the European Community Maastricht agreement.

Nato's wider European peace-keeping role is the top item on the agenda of the Oslo ministerial meeting. But there is still serious disagreement over the procedure which would lead to Nato involvement in "out-of-area" activities.

The US and many other allies want the CSCE to be able to ask Nato as an organisation to help with peace-keeping. But some other countries, with France in the forefront, want such requests to be addressed to individual nations.

Though favouring a wider Nato peace-keeping role, Mr Hurd said that all governments were very reluctant to envisage sending troops into an area of conflict while fighting was still going on between warring factions, as in Bosnia.

The foreign secretary warned against over-optimistic assessments of what outsiders could do to deal with such situations. "These are not wars between 19th century African tribes on whom we can impose some sort of protectorate by force. Neither marines nor parachutists, nor new fashioned Blue Helmets can fight their way to peace among peoples mingled together village by village," he said.

Russia to scrap special rouble rate

By John Lloyd in Moscow

RUSSIA is about to take the first step towards making the rouble internally convertible by abolishing the special exchange rate of 55 roubles to the dollar from July 1.

President Boris Yeltsin is reported to be about to sign a document ordering all enterprises to sell 50 per cent of their hard currency proceeds to the central bank at the market exchange rate of 85 roubles to the dollar. At present, enterprises must sell 40 per cent of hard currency proceeds at the rate of 55 roubles.

The unifying of the rouble rates has long been proposed by the International Monetary Fund as a necessary first step in the currency reform. However, it will increase prices for imported goods for enterprises and may still be delayed by heavy lobbying against it.

The president's move comes as the Russian reform programme is under attack in parliament and industry, and as the government is being forced to make big concessions to the industrial lobby. It faces hard bargaining with the IMF in Washington next week on the letter of intent detailing its economic programme which it must agree with the Fund before it has access to $24bn from the IMF and western countries.

Mr Yegor Gaidar, the first deputy prime minister, said the July 1 moves must be synchronised with the $6bn credits, part of the $24bn package, designed to stabilise the rouble. "Everything depends on the IMF credits," he said.

Bérégovoy secure despite close vote

By Ian Davidson in Paris

THE MORALE of France's conservative opposition parties has been boosted following a censure motion debate in the National Assembly on Monday night in which the government avoided defeat by the narrowest of margins.

With 286 votes out of a possible total of 576, the opposition motion only fell three short of the absolute majority required to bring the government down and force early elections. This is the closest the government has come to defeat in parliament since the general election in 1988.

Although enough to give Prime Minister Pierre Bérégovoy a serious fright, and temporarily unite the warring opposition conservative parties, it is not likely to make a fundamental difference to the balance of forces between government and opposition.

The main reason for this is that the vote is not expected to provide any lasting remedy to the splits which have undermined the effectiveness of conservative opposition parties.

On the contrary, the splits are certain to reappear this week, as the Senate embarks on a three-day debate on the revision of the French constitution, as a preamble to the ratification of the Maastricht Treaty of European Union.

Monday's censure motion in the National Assembly, which denounced the government for having agreed in Brussels to a far-reaching reform of the Community's agricultural policy, provided an opportunity for the conservatives to put on a united front, after their recent division and disagreement in the first phase of the Maastricht debate.

What really put the government's position at risk was a last-minute decision of the 25-strong Communist group to vote for the censure motion. In the past, the Communists have refused to join forces with the conservatives, except for one occasion in 1990.

Monday's vote is a clear warning that the socialists can no longer count on them.

Monday's show of unity has only temporarily enhanced the conservative parties' credibility. The leaders of the Gaullist party know that these squabbles are deeply damaging to their image. At the end of the day, they will be forced to endorse the Maastricht Treaty, because an anti-European posture is not a viable option for a mainstream French political leader. And yet they are apparently unable to lay down a firm party line or assert party discipline.

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Home is far from sweet for Crimean Tatars

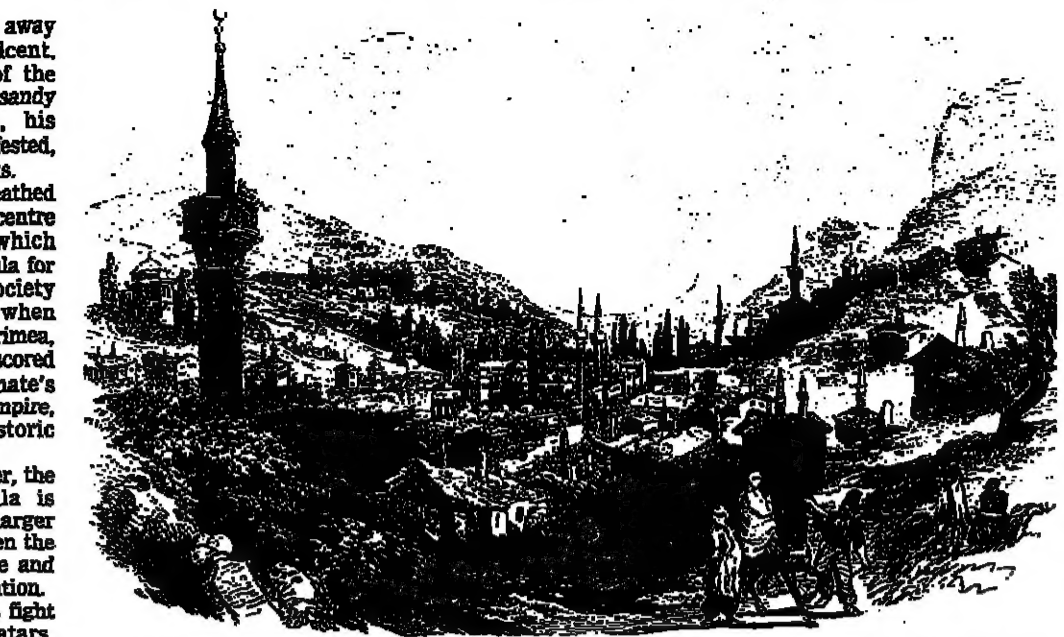
Chrystia Freeland on the troubles of a people exiled by Stalin

LESS THAN a mile away from the magnificent, turreted palace of the Khan of Crimea, in the sandy fields of Bakchesaray, his descendants live in fly-infested, tar-paper squatters shacks.

The Khan's Palace, wreathed in Arabic script, was the centre of a Moslem society which prospered on the peninsula for five centuries. That society was shattered in 1783 when Catherine II annexed Crimea, in a move which underscored the decline of the Khanate's protector, the Ottoman empire, and the rise of its historic enemy, Imperial Russia.

Two hundred years later, the lush Crimean peninsula is again the pivot for a larger struggle, this time between the shrinking Russian empire and the nascent Ukrainian nation.

As the two Slav giants fight it out, the Crimean Tatars, whose 250,000-strong community was deported en masse by Stalin in 1944, are trying to rebuild their society. "As soon as we were born, we began to dream about returning to our native land," explains 38-year-old Seitumer Bekirov, one of the nearly 200,000 Crimean Tatars who have made the difficult journey from central Asia and Kazakhstan to their homeland over the past five years.



The Crimean town of Bakchesaray, with the Khan's palace in its centre, as drawn in 1855

Mr Bekirov was born in Uzbekistan in 1944: his family tried to return to Crimea in 1970 but was forced out. Undaunted, they spent the next two decades in Kherson, a Ukrainian city chosen for its proximity to Crimea.

In 1990, Mr Bekirov was finally permitted to return to his homeland, in which he had never lived. He spent six months in a primitive, dirt-floored hut built in a vacant field without water or electricity before he and 600 other protesters forced the Crimean government to formally turn the land over to the Tatars.

Although the Ukrainian government has earmarked Rbs3.2bn to subsidise the resettlement, Crimean Tatars find their efforts blocked at every turn by the communist-dominated local government.

Tatars have no right to reclaim the homes from which they were deported, they have been granted parched fields on which to build new houses only by squatting on them for months, and, despite a Ukrainian law returning religious buildings to their original use, the Tatars were able to reclaim one of the three remaining Crimean mosques only by physically occupying it.

To add insult to injury, even the gorgeous Khan's Palace is in jeopardy: the Crimean government is trying to sell it to private shopkeepers.

Mr Bekirov, who moved to Crimea with his wife, two children, parents and in-laws in tow, shrugs off the difficulties. "For us, it is worth it," he says.

Outnumbered by Russians by nearly ten to one, the Tatars oppose a renewal of an independent Crimea as enjoyed under the Khanate. Mr Mustafa Jemilev, the diminutive, 49-year-old chairman of the Mejlis, the Crimean Tartars' elected council, says: "The greatest danger is that we will be left one-on-one with these Russian chauvinists."

Nursing a suspicion of Russia bred by Tatar history and reinforced by the 15 years he spent in Soviet prisons for championing the Tatar cause, Mr Jemilev is equally opposed to unification with a Russia, where, he says, "there is very little sober thinking, only imperialist thinking".

The Tatars' only option, it is argued, is to insist that Crimea remain part of Ukraine. Mr Jemilev says that the Tatars' unique claim to the peninsula should be acknowledged by granting Crimea national-territorial status with a bicameral parliament in which the Tatars would control one house.

If Tatar demands are not met, Mr Jemilev warns, his people could turn to more drastic tactics. Their leadership is considering declaring the Crimean Tatars "a people fighting for national liberation," a status which, in the view of the Mejlis, would render all Crimean laws invalid and give the Tatars the right to resort to force.

Mr Jemilev says: "Crimea is not just some pretty place for us. For us, it is everything."

ANC economic policy praised by government

By Philip Gawith in Johannesburg

THE South African government yesterday described new economic policies adopted by the African National Congress last weekend as "pragmatic".

The ANC concluded a conference on Sunday where a comprehensive set of policy guidelines was adopted, revising the organisation's economic stance for the first time since 1955.

Mr Derek Keys, the minister of finance, said ANC economic policies represented a "very material advance" on those of two years ago. He said they meant "it should not be impossible to agree a growth strategy".

His comments raise the prospect for the first time of a constructive economic dialogue between the National Party and the ANC.

It improves the chances of agreement being reached in the Economic Forum, set up last month to map out future strategy. The forum is made up of representatives from the business community, trade unions and the government.

He said there were three economic problems the government was in a position to address. These were the high individual tax burden, high interest rates and inflation.

Mr Keys said a lower level of government spending would help alleviate these problems and said he would begin his campaign "to reduce in real terms the level of government spending" this month.

On corporate taxes, Mr Keys said he would favour the dispensation that gives the best growth prospects. "It may be the one with lower tax rates, but it may not be." He argued that areas where co-operation was required to make progress were unemployment and investment.

He warned that what he called the "economic civil war" had to be stopped if the South African economy was going to recover. This involved stopping political wars being fought on economic terrain – such as over the issue of sanctions.

He also called for "sensible wage bargaining".

Mr Keys said South Africa needed to invest more than 25 per cent of its gross domestic product (compared to 18-19 per cent now) if the growth rate was to keep pace with the birth rate.

Achieving this required greater investor confidence, he said.

On foreign investment Mr Keys said: "I don't think in practice it will be found possible to impose conditions on foreign investment that foreign investment doesn't want to have imposed on it."

The South African president, F W de Klerk, will face calls in Tokyo today formally to scrap the "honorary white" status granted to Japanese more than 30 years ago, Reuter reports from Tokyo.

Human rights groups want the prime minister, Mr Kiichi Miyazawa, to discuss the "shameful" issue with Mr De Klerk. Mr Akira Kusuhara, a human rights spokesman, said the status was introduced in the 1960s at a time when Japan was experiencing high growth which South Africa wanted to take advantage of.

Japanese companies cut capital spending

By Stefan Wagstyl in Tokyo

JAPAN'S Ministry of International Trade and Industry yesterday published further evidence of deepening pessimism among Japanese businessmen.

Capital spending by big companies in the fiscal year from April will fall for the first time since 1986-87, according to a ministry survey.

Even though the expected decline is small – 1.4 per cent – the ministry believes the negative figure is ominous because it indicates a marked change in sentiment among businessmen. In the previous survey last autumn, the ministry had forecast a 1.2 per cent increase in investment.

Miti's report comes at a time of intense debate within the government about possible action to counter the slow down in the Japanese economy. Miti officials, many with close industry links, are among the most vociferous supporters of government action to stimulate growth. But the Bank of Japan believes further cuts in interest rates are now unnecessary and the Ministry of Finance dismisses as premature demands for increased public spending.

The survey shows that capital spending by leading companies rose 6.8 per cent in the year to March, the smallest increase since the mid-1980s. For the current year Miti predicts a 8.9 per cent decline in capital spending by large manufacturing companies and a 6 per cent decline in investment by service industries.

Electronics companies are cutting investment by a full 26.4 per cent and car makers by 9.8 per cent. Paper manufacturers, operating in a highly cyclical industry, are planning a 30.7 per cent reduction. The overall reductions would be more severe were it not for planned increases in spending by electric power utilities and other quasi-public institutions.

Chinese soldiers patrol at the Great Hall of the People ahead of tomorrow's third anniversary of the Tiananmen Square crackdown

Indonesian banks face pressures

By William Keeling in Jakarta

A REPORT criticising Indonesia's banking sector has added to bankers' expectations that the next year will see a series of mergers as banks try to reduce costs, rationalise loan portfolios and meet higher capital adequacy requirements.

The report, by Jardine Fleming Nusantara, the Indonesian subsidiary of Hong Kong-based Jardine Fleming merchant bank, says it has "very significant reservations about the (bad debt) provisions of banks" brought about by "irregular and imprudent lending policies", the report says.

Officials at Bank Indonesia, the central bank, estimate the banking sector's level of bad and doubtful debts has increased from 3.9 per cent of total loan portfolios in 1990 to 5.9 per cent last year.

Economists at donor agencies say that bad debts of the five state-owned commercial banks, which account for half the sector's total assets, are between 15-25 per cent of their respective portfolios. "The banking sector is a major worry. They (Bank Indonesia) have to rationalise it somehow. It's not sustainable," says Dr Mari Pangestu, head of economic affairs at the Centre for Strategic and International Studies in Jakarta.

The sector experienced explosive growth following a de-regulatory decree in 1988. Outstanding credits of the sector totalled Rupiah 113,608bn (£30.56bn) last December, up from Rp44,000bn at the end of 1988.

Bankers say, however, that poor credit analysis has plagued many private banks, while state banks have made loans on political, rather than financial, grounds. Some banks are also capitalising interest payments on loans to avoid categorising them as non-performing, they say.

Jardine Fleming estimates that "banks are at present providing about 1.0-1.5 per cent (of productive assets) for doubtful debt", a figure supported by bankers in Jakarta. It warns that raising provisions to accommodate actual bad debt would have "a devastating impact on profitability".

Its report looks at seven leading quoted banks and estimates that, if 3 per cent of performing assets were provided for bad debt, four banks would have recorded a loss in 1991, while the profits of the other three would have been more than halved. All seven banks reported net profits last year but provided just 0.64-1.65 per cent of performing assets for bad debt.

There will be "many mergers with Bank Indonesia's assistance", Dr Pangestu predicts, a view shared by bankers in Jakarta who believe that the central bank will orchestrate a controlled shake-out of the sector. Bankers do not believe there will be a banking crisis and say confidence in the system remains strong.

Pressure on the sector will increase, however, with banks having to meet new capital adequacy requirements of 8 per cent of total assets by December, 1993, up from 5 per cent currently set by the central bank. Most severely affected will be the five state-owned commercial banks which, bankers say, will require a capital injection of about $2bn.

A government decree should help some private banks to raise capital. It will allow foreigners to purchase up to 49 per cent of listed shares of quoted banks. Foreigners are at present barred from holding shares in quoted banks.

The Indonesian military has shot dead Mr M L Prawar, the military commander of the rebel Free Papua Movement (OPM) in Irian Jaya, the state-owned Antara news agency reported yesterday, writes William Keeling. Mr Prawar was ambushed by a 13-member special task force in Skouw-Wuting area which borders Papua New Guinea (PNG). Irian Jaya was transferred to Indonesia from Dutch rule in 1963 and the OPM was formed in 1977 to seek unification with PNG.

Equiticorp fraud trial opens in Auckland

By Terry Hall in Wellington

MR Allan Hawkins, founder of the finance group, Equiticorp, and six former colleagues went on trial in Auckland yesterday on fraud and conspiracy charges relating to the collapse of the group in 1987 with millions of dollars of debt.

The case before a judge sitting alone is expected to create legal history as it is expected to last up to two years, with the reading of the case against them alone due to take three days.

The case involves an investigation into the startling growth of Equiticorp from a small finance company in 1984 to an international group with assets worth NZ$4bn (£1.17bn) and interests as diverse as Guinness Peat in Britain, a Hong Kong listed company, Capitalcorp International, merchant banking in Australia, and control of New Zealand Steel.

Equiticorp ran into difficulties in October 1987, on the day of the stock market crash when it signed a deal to buy 87 per cent of New Zealand Steel for $NZ327m from the government. Events surrounding the New Zealand Steel deal are central to criminal charges against Mr Hawkins and his legal adviser, Mr Paul Darvell, a partner in one of Auckland's largest companies. They and five others are also charged with conspiracy to defraud in relation to the floatation of Capitalcorp International in Hong Kong, and to management fees allegedly taken after the sale of shares in its Australian companies.

An all-encompassing conspiracy charge against all seven men alleging they were involved in a money laundering scheme was introduced by the Serious Fraud Office.

When the trial is over, some of the defendants will face a NZ$564m civil claim by the Equiticorp statutory managers who took over Equiticorp's reins when it collapsed.

Rabuka named premier of Fiji

By Kevin Brown in Sydney

MR Sitiveni Rabuka, the former army officer who led two coups in 1987, was yesterday appointed prime minister of Fiji at the head of a coalition government elected under a racially-biased consitution.

The appointment, announced by President Sir Penaia Ganilau, followed three days of manoeuvring for the premiership between Mr Rabuka and Mr Josevata Kamikamica, a former finance minister.

Both are members of the Soqosoqo ni Vakavulewa ni Taukei (SVT) party, which supports the political supremacy of the country's 345,000 ethnic Fijians, who account for about 48 per cent of the population.

The SVT won 30 of the 37 seats reserved for ethnic Fijians in the 70-seat House of Representatives. The more extreme Fijian Nationalist United Front won five seats. Two were taken by independents.

Mr Kamikamica, a former civil servant, was the preferred choice of the president, and was regarded as more acceptable to the 340,000 ethnic Indians who account for 47 per cent of the population.

However, Mr Rabuka's appointment was assured by the support of Mr Mahendra Chaudhry, leader of the trade union based Fiji Labour Party, which won 13 of the 27 seats reserved for Indians.

Ironically, Mr Chaudhry was one of several Indian leaders detained by Mr Rabuka when the army twice intervened in 1987 to overthrow a coalition government dominated by Indians.

The key element of the deal was an agreement to review the constitution, which seeks to entrench ethnic Fijian dominance through unequal parliamentary representation and an ethnic Fijian Senate with significant veto powers. The prime minister and president must both be ethnic Fijians.

Mr Chaudhry also extracted from Mr Rabuka an undertaking to review restrictions on trade union activity introduced by the interim government which has ruled Fiji since December 1987.

The deal is likely to give Mr Chaudhry a bigger role in Fijian Indian affairs than the formerly dominant National Federation Party (NFP), which won 14 seats. However, Labour stopped short of entering a formal coalition. Mr Rabuka will govern with the support of the two Fijian independents and five MPs elected by the 35,000 Europeans, Chinese, and other races.

Kaddoumi emerges as Arafat heir

By Tony Walker in Cairo

MR Farouk Kaddoumi, the Palestine Liberation Organisation's foreign spokesman, has emerged as the man most likely to succeed to the Palestinian leadership.

Confirmation of Mr Kaddoumi's heir apparent status came yesterday when Mr Faisal Husseini, the senior Palestinian in the occupied territories, told reporters that the PLO "foreign minister" was in charge while Mr Yassir Arafat was in hospital.

Speculation about a possible alternative to Mr Arafat has been rife after his brush with death in an air crash in April and was spurred by news of emergency surgery this week to remove a blood clot from his brain.

The Hebrew-speaking Mr Kaddoumi, a founder of the mainstream Fatah faction of the PLO with Mr Arafat, heads the organisation's Political Department, in effect its foreign ministry.

Iran shifts stance towards Lebanon

By Lara Marlowe in Beirut

MR Ali Akbar Velayati, the Iranian foreign minister, began his first official visit to Lebanon yesterday with a series of meetings with the government, demonstrating Iran's new willingness to deal directly with the Lebanese authorities – to the possible detriment of Iran's allies in the Shia Moslem Hizbollah movement.

Hizbollah refused to participate in the government, formed last month, on the grounds that it was "corrupt".

Although Mr Velayati told reporters that he was not discussing the liberation of two German hostages believed held by Mr Abdul-Hadi Hamadi, a prominent Hizbollah member, his visit encouraged speculation that the two Germans would soon be free.

Germany and the European Community have frozen several hundred million dollars in reconstruction aid to Lebanon pending the liberation of Mr Heinrich Streubig, 50, and Mr Thomas Kemptner, 30. Both men have been held for three years and their kidnappers are demanding the freedom of Mr Hamadi's brothers Mohammed and Abbas, convicted in Germany of hijacking, kidnapping and murder. Mr Velayati is to visit Germany later this month.

Mr Velayati with Lebanese Hizbollah leader Hassan Nasrallah

The Lebanese government, which was excluded from earlier hostage negotiations, this year established a special commission to work for the liberation of Mr Streubig and Mr Kemptner. A Lebanese delegation travelled to Tehran three months ago to ask Iran to use its influence over Hizbollah to seek their freedom.

Mr Velayati said yesterday that it was his understanding that the Lebanese government, like Iran, supported "popular resistance" against the Israeli occupation of southern Lebanon.

But Mr Fares Boueiz, the Lebanese foreign minister, recently demanded that Hizbollah "co-ordinate" its attacks with Lebanese diplomatic efforts in hopes of ending Israeli reprisals that killed 25 people and wounded 63 in the last two weeks of May. Mr Velayati will address a rally commemorating the third anniversary of the death of Ayatollah Khomeini in Beirut today.

■ Israel shelled guerrilla-held villages in south Lebanon yesterday and sent reconnaissance aircraft over the area and the Bekaa valley in the east of the country where Hizbollah militants are active, agencies report.

Security sources said that Israeli gunners and their South Lebanon Army allies opened fire on several villages near the Litani river.

Meanwhile, the Israeli defence minister, Mr Moshe Arens, warned Lebanese civilians yesterday that they were at risk if they lived near leaders of Hizbollah.

Australia recovers at slow pace

By Kevin Brown in Sydney

AUSTRALIA'S recovery from recession is under way, but the economy remains weak and growth over the remainder of the year is likely to be slow, government figures indicated yesterday.

The quarterly national accounts showed that gross domestic product grew by 0.6 per cent in the three months to the end of March, following growth of 0.7 per cent in the December quarter, revised from 0.3 per cent.

Further revisions, following the introduction of a new GDP measure, suggested that the economy stopped contracting in the three months to September, after five quarters of decline.

The GDP figures follow the announcement on Monday of balance of payments data for April which showed a fall in the monthly current account deficit to A$897m (£377m), seasonally adjusted, from a revised A$992m in March.

The deficit for the financial year at the end of June appears likely to total less than A$12bn, compared to A$15.7bn in 1990-91, and a record A$21bn in the previous year.

Economists say inflation is also likely to remain near the current level of 1.5 per cent for the rest of the calendar year.

The improving economic outlook will boost the prospects of Mr Paul Keating's Labor government, which must hold a federal election by the middle of next year.

Aquino moves to end shortage of electricity

PRESIDENT Corazon Aquino yesterday ordered government agencies to cut red tape and speed approvals for new power plants to ease the nation's grave electricity crisis which has been severely disrupting economic development plans, AP reports from Manila.

Last week, power cuts as long as 12-15 hours a day plagued Manila, a capital of 8m people.

Mrs Aquino has asked the Central Bank and Department of Environment and Natural Resources to speed up financial and environmental approvals for power stations as her six-year term draws to a close.

Labour's hopes rise in Israeli election

Hugh Carnegy assesses the prospects for the two main parties in the June 23 poll

AS television campaigning got underway last night in the battle for the June 23 Israeli general election, the slogan of the opposition Labour party blared "Israel is waiting for Rabin".

Certainly Palestinians in the occupied territories, the wider Arab world, and, albeit silently, the US government, are hoping Labour's brash assertion is right that Mr Yizhak Rabin, its new leader, is about to sweep the party back into power.

Mr Rabin has promised to abandon the ideological extremes of the Likud party, in government since 1977, substituting its refusal to give up any land with a commitment to trade territory for peace in the hitherto deadlocked Middle East peace negotiations. He says he would curb Jewish settlements in the West Bank and Gaza Strip and reach an agreement for interim Palestinian self-rule in the territories within six months.

Buoyed by favourable opinion polls and a stuttering performance by Likud, Labour is showing greater verve and confidence than it has for years. But is Israel indeed waiting to put Mr Rabin back in office (he was previously an unremarkable prime minister in the mid-1970s)? Is it really any closer to resolving the bitter internal divisions over what to do about the territories that have persisted for 25 years since Gen Rabin, then chief of staff, led Israel to victory in the June 1967 Six Day War?

The paradoxical answer may be yes to the former, but no to the latter, leaving a question mark over whether Israel will be able to move forward decisively in the peace process.

In contrast to Labour's well-organised campaign, the Likud is suffering the fatigue of long years in office, and is beset by angry feuding among potential successors as party leader to the tough but uninspiring Mr Shamir. Labour has apparently successfully shrugged off Likud allegations that Mr Rabin is a heavy drinker who suffered a nervous collapse before the 1967 war.

Opinion polls have shown Mr Rabin as easily the most popular candidate for prime minister. There is plenty of anecdotal evidence of widespread dissatisfaction with Likud.

Labour faces a hard struggle nonetheless. Neither Labour nor Likud has ever won a majority in the 120-seat Knesset and neither will come close this time. Mr Rabin's stated target is that Labour and its allies in the smaller parties will win at least a 60-seat block and then induce at least some or all of the three religious parties into a majority coalition based on Labour's agenda.

Labour's prospective allies are Meretz, a new unified alignment of three "dovish" liberal and leftist parties, and three parties which draw their support from the country's Arab minority. Even Labour supporters are sceptical that together the "block" can add five new seats to the 55 they won in the 1988 election in a system where swings tend to be marginal.

"It means Labour, Meretz and the Arab parties must all achieve the very best they are capable of and I'm afraid that is too much to hope for," says Mr Nimrod Novik, a senior Labour campaign leader in the last election.

Things are far from rosy on the right. Apart from Likud's difficulties, Tehiya, Moledet and Tzomet, the three extreme right-wing parties previously in coalition with Likud, failed to agree on a vote-maximising election pact.

But polls show about one-third of voters are still undecided. Likud, its campaign starting to look more coherent, is confident many waverers will return, especially once it has hammered home its message that a Rabin government would be hostage to "doves".

"There is anger in the field against the Likud, no doubt about it," says Mr Rafi Shitreet, Likud campaign manager in the southern city of Beersheba, a Likud stronghold.

"But Labour can't make a coalition without the extreme left and the Arabs. People know how to count. They won't vote for that."

In fact, there are strong grounds for believing Mr Rabin doesn't want it either. He has always been uncomfortable in the company of doves. Since the mid- and late-1980s when Labour and Likud were in coalition, he has believed that they can move forward together in the peace negotiations at least to the first stage of limited Palestinian self rule.

Mr Rabin may well be happy for Labour just to overtake Likud as the biggest party (the difference was only 40 to 39 seats in 1988). He would then seek to cajole the Likud into a grand coalition in which he was prime minister and clear senior partner. He would attempt to go forward in the peace talks, but the old divisions about the long-term solution would remain unresolved.

Whatever happens, forming a coalition will take time, as it always does in Israel. "It will take a minimum of six weeks – more likely eight to 10," predicted Mr Novik, a veteran of coalition wrangling.

Labour faces a hard struggle nonetheless. Neither Labour nor Likud has ever won a majority in the 120-seat Knesset and neither will come close this time.

NEWS: WORLD TRADE

Ex-Soviet states invited to join new Cocom body

By Nancy Dunne in Washington

COCOM, the multilateral organisation which for years controlled the sale of western high technology to communist countries, has invited the former Soviet republics to join a new export control body. The group will not replace Cocom, which will *continue to control* some exports because of fears they could be re-exported to *regimes Cocom perceives* as dangerous or unstable.

On Monday, Cocom, the 17-member Co-ordinating Committee on Multilateral Export Controls, agreed to a proposal by Mr James Baker, US secretary of state, that the republics be asked to join a new entity, the Cocom Co-operation Forum on Export Controls. The US agreed to a German demand to ease export curbs on telecommunications. Reportedly, this *concession* includes *easing of* controls on fibre optics, which the Bush administration has *been resisting*.

Announcing the agreement yesterday, the State Department embraced the German proposal as its own. A State Department spokesman said President Bush had been urging Cocom to become "reflective of today's *environment*. As the emerging democracies *seek to reform* and establish closer ties to the west, better telephone, fax and other data networks are clearly needed".

The new forum would provide significantly wider access to advanced western goods and technology to the former Soviet Union; set out procedures to ensure against diver*sion to unauthorised users*, and help the new states develop their own systems of export controls. Curbs will remain on some republics for munitions, high-speed computers and advanced machine tools. The forum will meet soon to further define its agenda.

With concern in the US shifting to curbing weapons and high technology for what it sees as unstable or "outlaw" states, *the setting-up of export* control systems in the republics assumes new urgency. Export control experts say the corruption sweeping the former Soviet Union as its economic system collapses could mean leakages of weapons and technology to dangerous users. Mr Lorenz Schomeria of the German ministry of economics said in Washington that the US, UK and Germany had agreed to take on the task of publicly *citing* those countries subject to new controls.

Mexican steel dumping cases brought against US

THE Mexican government has initiated anti-dumping cases against flat-rolled steel producers in the US, **Damian Fraser** reports from Mexico City. *Mexico would be able to* impose countervailing duties on all US flat steel producers if the claims are upheld.

Its two flat steel producers, Hysla and Altos Hornos, brought the case against USX, National, LTV and Bethlehem, *and two US trading companies*. They claim the US companies have been selling hot-rolled, cold-rolled and plate-in-coil steel below cost, making it impossible for the Mexicans to compete fairly.

Mexico, unlike the US, has been unwilling until now to use its anti-dumping laws. US cement companies brought a case against Mexican cement exporters two years ago. The Mexicans suffered countervailing duties, and have since been effectively blocked out of the US market. The cement case encouraged the Mexicans to press for a reform *of* the US anti-dumping laws as part of the North American Free Trade Agreement. But the *US* refused to budge.

Chile grows weary of US procrastination over FTA

Leslie Crawford reports on the belief that President Bush is losing a chance to forge a new relationship

A WEARY look of resignation descends upon Mr Alejandro Foxley, the Chilean finance minister, when asked about Chile's chances of clinching a Free Trade Agreement (FTA) with the US.

Mr Foxley has just returned from a gruelling week-long trip across the US, where he and President Patricio Aylwin tried to drum up support for the *elimination* of trade barriers between Chile and its biggest trading partner. But instead of *winning a firm commitment* from President Bush to launch negotiations, the Chileans were asked to wait patiently on the sidelines until a similar, and far more complex, agreement was concluded with Mexico and Canada.

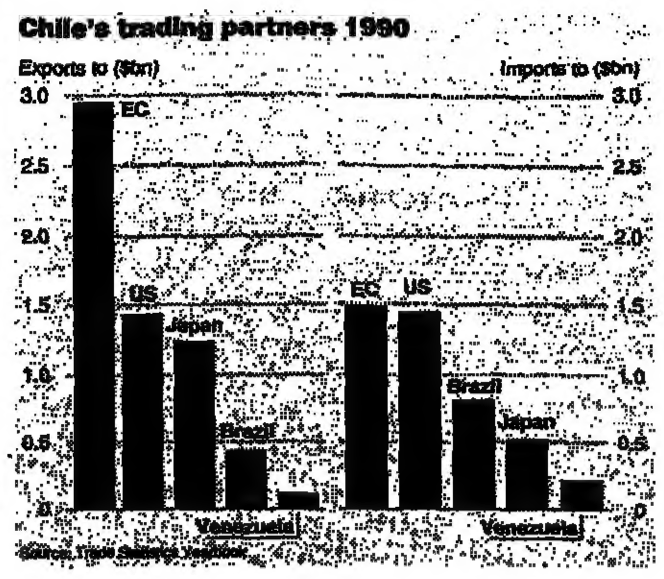
Only then will Mr Bush (and then only if he survives the November presidential elections) ask Congress for an extension of "fast-track" authority in order to conduct *talks with Chile*. "We understand the political constraints on Mr Bush during an election year," *Mr Foxley concedes*, "but we are also impatient to see concrete results from the US president's Enterprise for the Americas Initiative."

Mr Bush's vision of a free trade bloc spanning the Americas met an enthusiastic response in Chile when it was first mooted two years ago. When Mr Bush visited Sant*iago in December 1990, he flat*tered his hosts into believing that Chile would be the first country in South America to sign an FTA in Washington. But after 18 months of no progress, officials in Santiago have ceased to regard an FTA as their top foreign policy goal.

Mr Foxley believes that Washington is losing an oppor*tunity to forge a new relation*ship with Latin America based on economic partnership rather than military or political domination. He says middle-income countries like Chile are experiencing "trade negotiation fatigue" after making huge unilateral efforts to open up their economies and liberalise trade.

"We are frankly bored with the stalling antics of the US and European Community at *the Uruguay Round of multi*lateral trade talks," he says. He believes that developing coun*tries will become increasingly* sceptical of the free-market prescriptions handed down by the industrialised world while it continues to spend $250bn on agricultural protection.

Foxley: gruelling trip



This criticism was echoed at a meeting of EC and Latin American foreign ministers in Santiago last week. While European *diplomats* were lush with praise for Latin America's economic reforms, Mr Aylwin *delivered a harsh rebuke*: "We face a great paradox. "On one side, Latin America is opening up to international trade at a great social cost. On the other, industrialised nations, including the EC, shelter behind protectionist measures that hamper our growth and development."

Access to foreign markets has become much more important to Chile than aid, soft *loans or debt relief. Its $9bn of* exports last year accounted for about 30 per cent of gross domestic product (*GDP*). Mr Foxley wants to lead Chile into a second phase of export-led development, in which manufactured goods take precedence over traditional exports such as copper, fishmeal and fresh fruit. That is why, despite all the frustrations, Chilean officials have not given up hope of *clinching an agreement* with the US. They see the accord spurring a new wave of investment in export industries, as an FTA would provide long-term stability in the rules of access to the US. It would also be Chile's insurance policy against arbitrary protectionist measures.

Mr Foxley says an FTA *would act as a magnet for for*eign investment. He has been fielding inquiries lately from European companies interested in using Chile as a launch pad into the US. Nobody in Washington believes a free trade deal with Chile would threaten US jobs. Two-way trade, which totalled $3.2bn last year, is evenly balanced. The asymmetry lies *in the relative impor*tance of this trade: the US buys 18 per cent of Chile's exports, *but Chile buys less than 0.5* per cent of those of the US. The obstacle Chile faces in Washington *is* not protectionism, but indifference.

An FTA with Chile would let Washington signal to the rest of Latin America that it supports democratic regimes with open economies. Recent events in Peru and Venezuela show *how tenuous is democracy* in the region. Chile is not holding its breath for free trade to *materialise with the US. The* fastest growing market for its exports is now the Far East. Japan, *for the first time last* year, edged out the US as the main buyer of Chilean goods.

Japan-US groups near chip pact

By Louise Kehoe in San Francisco

ON THE eve of critical US-Japan semiconductor trade talks, Micron Technology, a US memory chip maker, and NEC, Japan's biggest semiconductor producer, have reached preliminary agreement to sell each other's memory chip products.

Micron and NEC said they had signed a memorandum of understanding to allow each *company to resell the other's* memory products under their own brand names worldwide. The companies said they believed their accord would "contribute to solving US-Japan semiconductor trade issues". Amid rising tensions over chip trade, US and Japanese industry executives begin meetings in Tokyo today, with *government-to-government* talks due later this week.

The US accuses Japan of failing to meet obligations under a 1991 trade pact to open its *semiconductor* market to foreign suppliers. Mrs Carla Hills, US trade representative, has announced a review of how the chip pact is being implemented.

The 1991 agreement says Japan recognises US expectations that the foreign market share will rise to "more than 20 per cent of the Japanese mar*ket by the end of 1992", and* specifies "particular attention should be given to market share" in gauging progress to an open market in Japan.

But with the foreign share of the Japanese market standing at 14.4 per cent, there seems little chance Japan can reach the 20 per cent goal by the end of the year. The talks in Tokyo *this week are aimed* at averting an escalation of the trade row, which could lead to the US imposing retaliatory sanctions on Japan. US industry *executives hope Japan will out*line plans to open its market.

Details of the NEC-Micron pact have to be worked out, but the companies said they intended to go beyond memory chip sales to "other chip products and other possible co-operation".

Mr Joseph Parkinson, Micron chief executive, is chairman of *the US Semiconductor Industry* Association, the group leading the US industry's trade battle and jointly hosting this week's meeting with the Electronic Industries Association of Japan. Recently, he accused Japanese and Korean memory chip makers of dumping products in the US. Micron filed a suit against the Koreans, but has made no formal charges against the Japanese.

Amec in HK airport road deal

By Andrew Taylor, Construction Correspondent

AN INTERNATIONAL consortium including Amec of the UK and the mainland Chinese-controlled China Fujian Corporation has won a £260m road contract as part of Hong Kong's HK$114bn (£8bn) new airport project.

The award of previous contracts for the airport has *prompted criticism that the* project is being used as a final "pay-day" for UK companies before the colony is handed over to Chinese rule in in 1997. Mr Alan Cockshaw, Amec chairman, said yesterday the consortium had received no special treatment. "Competition for the road contract was intense. As we understand it, *ours was the lowest price* but only by a short head."

Other members of the winning consortium included *Downer of New Zealand, Eltin* of Australia, International Water & Electric Corporation and Universal Dockyard, both of Hong Kong. Among the rival bids were separate consortia led by Bouygues of France and Kumagai Gumi of Japan.

The contract for work on the 6.5km Tai Ho section of the North Lantau Expressway, *forming part of* the road-rail system to link the Lantau Island airport with Kowloon and Hong Kong *Island*, is due to be completed in 1996.

The consortium is also bidding for the remaining 7km section of the North Lantau Expressway which will carry a six-lane highway, as well as provision for an airport railway and a service road.

The involvement of the Hong Kong subsidiary of China Fujian Corporation, which will *provide dredging expertise*, may help placate criticism from China that UK companies are being favoured.

Complaints resurfaced last month when the airport authority awarded the contract to build one of the world's largest suspension bridges to an Anglo-Japanese consortium led by Trafalgar House, the UK *construction, property*, hotels and shipping group.

The consortium, which had *bid HK$7.14bn, was awarded* the contract even though a bid from a consortium led by Hyundai was HK$2.43bn lower. The Hong Kong authorities said the Korean company had failed to meet requirements designed to ensure the winning bidder had sufficient capital to complete the contract.

BNL judge calls for disclosure of any state role

By Alan Friedman in Atlanta

THE Atlanta judge presiding over the Banca Nazionale del Lavoro (BNL) Iraqi loans case called yesterday for the appointment of a special prosecutor and pressed repeatedly for full disclosure of any possible government involvement in the affair.

Judge Marvin Shoob's call came after US prosecutors announced a surprise plea bargain with Mr Christopher Drogoul, the former BNL branch manager in Atlanta who is accused of making more than $5.5bn (£3.05bn) of secret loans to Iraq.

Mr Drogoul, who had informed the judge previously that he planned to plead guilty to a 347-count indictment on conspiracy and fraud charges, yesterday changed his mind. He pleaded guilty to only 60 of the charges, decided to co-operate with the government and said he would delay his promise to name names.

An angry Judge Shoob told the court Mr Drogoul was "not making a full and honest disclosure. This case ought to have a special prosecutor because I'm not getting the information. I'm going to get a sanitised version."

The judge's remarks came as the House judiciary committee in Washington began hearings to determine whether to seek the appointment of a special prosecutor to investigate the BNL affair and the administration's dealings with Iraq.

Judge Shoob asked Mr Drogoul if it was true that he had never expected to come to trial "because there are so many substantial people involved". Mr Drogoul replied it was true.

The former BNL branch manager said he did not have "formal discussions with Washington officials" about the loans to Iraq, but said the matter was a complicated one and he wished to review documents before disclosing the names of those outside BNL who were involved. During the hearing Judge Shoob said: "I don't believe for a minute that you were able to do all of this on your own." Mr Drogoul replied: "You're right."

Judge Shoob, saying he would not accept anything being "sealed, stonewalled or suppressed", warned both Mr Drogoul and government prosecutors that "when it comes time for sentencing, if I get a sanitised version Mr Drogoul is never going to get out of jail".

The depth of the judge's frustration was apparent when he disclosed that Mr Drogoul's lawyer had previously asked permission to introduce classified US government documents in the BNL case.

"Why was it necessary to use classified documents if all he did was to make unauthorised loans?" the judge demanded.

At the sentencing hearing, set for August 13, Mr Drogoul will receive a prison term related to the 60 charges to which he pleaded guilty. Government prosecutors, who yesterday pledged to follow up leads provided by Mr Drogoul, are expected to recommend a reduced sentence.

After the hearing Ms Gerrilyn Brill, the senior prosecutor on the BNL case, challenged the judge's assertion "that our version of the facts was sanitised" and said she saw no need for a special prosecutor.

Ms Brill disclosed that before the BNL indictments were brought last year the US had considered prosecuting the central bank of Iraq over the affair. However, a decision not to prosecute had been taken by Mr Robert Mueller, a senior official of the Justice Department.

She said Mr Mueller's decision was based on the fact that the Iraqi central bank was a foreign government agency with sovereign immunity, and denied that foreign policy considerations had played any role in the decision.

Official US index lifts recovery hopes

By Michael Prowse in Washington

THE official index of leading indicators rose for the fourth consecutive month in April, providing further evidence that the US economic recovery is likely to be sustained through the summer, the Commerce Department reported yesterday.

However, optimism was tempered by weaker than expected figures for new homes sales.

The index of leading indicators rose 0.4 per cent in April. Revised figures for March showed an increase of 0.4 per cent, rather than 0.2 per cent as first reported. The indicators are designed to provide advance warning of changes in the pace of economic activity.

A separate index of coincident indicators – which measures the current state of the economy – was unchanged in April, confirming a temporary loss of economic momentum in late spring.

The rise in the leading index was led by increases in commodity prices, reduced claims for state unemployment insurance, stronger orders for consumer goods and a rise in consumer confidence.

However, five of the components of the index, including the real money supply, provided negative contributions in April.

Sales of new single-family homes rose 1.3 per cent in the month, to a seasonally-adjusted annual rate of 530,000. Financial markets, however, were expecting an increase of more than 5 per cent.

Figures for March were revised down to show a drop of 15.9 per cent relative to February, rather than a drop of 14.8 per cent as initially reported.

The weak home sales figures follow other evidence that the housing sector has cooled after contributing strongly to growth in the first quarter. Housing starts fell 17 per cent in April, after strong gains earlier in the year.

Analysts expect growth in the current quarter to be sustained by rising industrial production as companies rebuild depleted stocks of inventories.

The environment is secondary issue as western countries defend their wallets

Earth Summit comes down to money

By David Lascelles and Christina Lamb in Rio de Janeiro

THE EARTH Summit starts in Rio de Janeiro today amid signs that the toughest negotiations will be about money, rather than the environment.

As delegations from 178 countries and a press corps of 7,000 assembled, the organisers and developing countries issued passionate pleas for generosity by the rich to help the world clean up the environment. But the industrialised countries embark on the two-week conference with a tight hold on their wallets.

Mr Maurice Strong, the conference secretary-general, said: "Finance is the key issue – a tough issue. Not many nations, even the rich, are feeling rich and generous. But we need a reorientation of our priorities.

"We're talking not just about more foreign aid. The best environmental investment that can be made is in the third world. No one expects this commitment to come all at once. But we want the important first steps."

Money lies at the heart of all the most important documents on the Rio negotiating table: two treaties to clean up the atmosphere and protect living species, and a 450-page action programme.

Mr Joe Wheeler, the UN official overseeing the financial negotiations, said: "They will be very difficult. They will go on late into the night. A lot is at stake."

But the industrial countries are making clear that there will be few if any pledges of money in Rio, though they recognise that many of the demands for money are genuine and that rich countries have a responsibility to finance sustainable growth in the developing world.

Late on Monday, Germany convened a meeting of officials from the Group of Seven industrial nations to try to co-ordinate their positions.

Yesterday the G7 extended these contacts to other Organisation of Economic Co-operation and Development countries in advance of formal negotiations.

Dr Ansgar Vogel, director general of the German Environment Ministry, said it was "a question of morality" that industrial countries should help third world countries. "Industrial countries have to give a clear signal that they consider themselves in a position of responsibility." Other G7 countries took a more cautious line. Many of them fear that whatever sums they mention will be criticised as inadequate, and will anyway fall far short of the $125bn (£69bn) a year which the summit organisers say is needed.

Brazil puts cost of conference at $37m

By Christina Lamb

BRAZIL IS footing the bill for what promises to be the biggest party on earth. Mr Flavio Perri, the conference organiser, estimates the total cost to the government at Cr105bn ($37m) – a drain on a bankrupt Treasury and a country where even the presidency no longer serves coffee.

The Brazilians have even had to bear the travel expenses of some of their guests and have so far paid out more than $2m for UN officials.

Mr Marcos Azambuja, Brazil's main negotiator, believes the money has been well spent. He sees the Earth Summit as a chance to improve the country's poor image in terms of environment and security. He also hopes it will put Rio de Janeiro back on the map as a key tourist destination and a future international conference centre.

But he says Brazil's parlous economic situation means that organisation has had to be done on the cheap. "Like anyone inviting friends to dinner, we'd like to offer more to impress."

In fact, just three months before the conference, the budget was halved.

The main outlay was on extending Rio's communications network and improving security. The conference centre, which had been used only for exhibitions and rock concerts, had to be renovated. Translation services have been installed and an enormous round table for heads of state built. So stretched was the Brazilian purse that its own delegation is housed in a pre-fabricated unit with no roof.

Brazil has accepted donations from the private sector: 285 cars from Volkswagen and 10 buses from Scania. The federal police chipped in, lending 300 cars.

The real cost has lain with Rio state which has been hard at work resurfacing roads, restoring parks and installing streetlighting.

Mr Roberto D'Avila, the state environment secretary, estimates that the state has spent $500m but he says this was for already-needed investments.

The Rainbow Warrior, Greenpeace's battle-hardened flagship, sails past Sugar Loaf mountain on its arrival at Rio de Janeiro. Greenpeace plans to make several protests at the Earth Summit.

A GUIDE TO THE RIO MAZE

☐ WHAT is the Earth Summit?
A UN-sponsored gathering of 185 countries to address the world's growing environmental problems, many of which now have global rather than national ramifications. It will last 12 days. For the first 10 days officials will negotiate, and on the last two more than 100 heads of state and government will attend the formal signing ceremony.

☐ Is it just about the environment?
Its official name is the UN Conference on the Environment and Development (UNCED). The inclusion of word development emphasises the close links between the two issues.

☐ What is it supposed to achieve?
High ideals have been steadily whittled down by compromise during preparations. The summit was supposed to approve several international treaties to clean the atmosphere and protect the world's plant and animal species. But these have been so reduced that many people have denounced it as a waste of time, among them Mr Carlo Ripa di Meana, the EC environment commissioner.

☐ So what will actually happen?
There are two draft treaties on the negotiating table. One addresses threats to the climate from greenhouse gases. This will commit signatories to formulating plans for reducing their carbon dioxide emissions to 1990 levels by the year 2000. Originally it was supposed to place a binding obligation on countries to achieve these targets. Softer wording was insisted on by the US, which is opposed to over-strict regulation. The treaty also provides for wealthy countries to help poorer nations.

The second treaty aims to protect the planet's biological diversity. It obliges signatories to take steps to preserve plant and animal life but also gives them the right to exploit them. The tension between these two conflicting aims has made the draft difficult to negotiate, and its provisions are not as tough as many hoped.

However, the US announced that it would not sign even this watered down version of the treaty, and other industrialised nations have expressed doubts.

Generally the countries with the greatest biological diversity are third world countries which are mainly interested in obtaining the technology to exploit it. This has raised further issues, such as protection of rights to this technology and the extent to which rich countries will help the poor gain access to it.

There was to have been a third treaty on protection of forests, but this was dropped because third world countries objected to being told not to cut down trees which were essential to their economies. The intention now is to have a legally non-binding declaration of principles, but this is also proving hard to negotiate, showing that preservation of the rain forests is probably the toughest issue on the Rio agenda.

☐ Anything else?
The summit will also try to approve Agenda 21, an 800-page plan to clean up the environment. This will address issues such as water, forests and land, but will also deal with poverty, and even women's rights (for which read the thorny question of population control) and the role of children. Although three quarters of this plan has been approved in the preparatory meetings, the remaining quarter still promises tough bargaining.

☐ If everyone agrees the environment is under threat, why is agreement at the summit proving so difficult?
Countries have sharply differing perceptions about what should be done. Most of them want a cleaner world, provided someone else makes the sacrifice. It comes down to where you strike the balance between economic growth and protecting the environment. Industrial countries tend towards the green view, but developing countries see environmental protection as a luxury.

☐ Why, then, is President George Bush so cool on the summit?
The US administration fears the summit could trigger a stifling wave of environmental regulation, and land rich countries with heavy commitments to aid the poor in the name of the environment. Mr Bush also wants to protect trade and the patent rights of US companies.

☐ We hear a lot about sustainable development. What is that?
It is the economic theory which argues that the world must grow in such a way as to leave its resources unimpaired for future generations. It sounds good in theory but is difficult in practice because growth consumes resources almost by definition. Critics also say it is more important to deal with today's pressing problems, particularly poverty, than worry about trees for one's grandchildren.

☐ What is likely to come of it all?
The key point will be what sort of machinery the summit sets in motion to hold participants to the pledges they make. People stress that Rio is the beginning of a process, not the end.

☐ How quickly will it happen?
Some participants are looking for kick-start measures to implement Rio decisions quickly. But, more likely, the event will make little difference to people's day-to-day lives. In the longer run, though, it could create pressures on governments which would lead to far-reaching changes.

☐ What will the clean-up cost and who will pay?
The UN has estimated that the global clean-up will cost more than $600bn (£333.3bn) a year, $125bn of which would be in the form of aid from rich countries to help the poor. Most third world countries are looking for big promises of aid in Rio, but the industrial countries insist there will be "no pledges".

David Lascelles

'Greatest' gathering of heads of state in history

By David Lascelles, Resources Editor

DIARY

EVERYBODY knows George Bush will attend the Earth Summit – if only because he took so long to make up his mind. But who else will be present at what has been billed as the greatest gathering of heads of state and governments in history? Invitations went to 185 of them.

We know the king and queen of Sweden are attending, because they have already arrived. Also from Europe, John Major is coming, but Prince Charles, for whom this might have been a suitable event and who is friends with President Collor of Brazil, is not. Chancellor Kohl of Germany will put in an appearance, as will the prime minister of Italy (the name has been left blank in the official list in case there is a change of government in the meantime).

President Mitterand is expected, though there is some uncertainty. His security people have said he cannot make the road journey to the conference centre because it passes through two tunnels. The leaders of Austria, Denmark, Finland, Greece, Ireland, Luxembourg, Malta, the Netherlands, Norway, Portugal, Spain (where King Carlos is also "considering coming") have all accepted.

A tricky one is the European Community. After Mr Carlo Ripa di Meana, the environment commissioner tore up his air ticket in a fit of pique, the most senior Brussels representative is the little-known Mr Abel Matutes, commissioner for north-south relations.

The Holy See, whose controversial position on population control issues which loom so large on the Rio agenda, will also attend, though not in the person of the Pope. Instead one of his top cardinals will come.

Japan sees the Earth Summit as a chance to trumpet its green credentials, and is emphasising the fact by sending not just Prime Minister Miyazawa, but also two former ones, Mr Noboru Takeshita and Mr Toshiki Kaifu.

Virtually every country in the third world is represented. The absences are more notable. Civil war-torn Afghanistan has yet to respond (so, for similar reasons, has Yugoslavia). Fidel Castro is coming, though for security reasons that is a secret. South Africa and the Sudan have yet to decide.

The only problem the organisers must solve is that every country leader has the right to speak, and 20 minutes per person has been suggested. That would make four days of non-stop speeches.

Polls mixed on backing for Perot

By Jurek Martin in Washington

TWO national public opinion polls released yesterday put Mr Ross Perot, the prospective independent candidate, first and last in the race for the US presidency.

A Washington Post-ABC poll gave Mr Perot 34 per cent, President George Bush 31 per cent and Governor Bill Clinton of Arkansas 29 per cent. A CBS tally had Mr Bush in the lead with 35 per cent, against 27 per cent for Mr Clinton and 26 per cent for Mr Perot.

The polls were published on the day of the final party primaries in six states, including California, the biggest.

Since Mr Perot is on no ballot, only rough estimates of his popularity will be available through exit polling and, where allowed, in votes for uncommitted delegates. The write-in option is largely precluded.

The Post-ABC survey, which said Mr Perot's lead was statistically insignificant nationally, is most interesting for its regional breakdown. It showed Mr Perot ahead in the west – followed by Mr Clinton and then Mr Bush – and tied with the president in the north-east, where Mr Clinton trailed appreciably.

However, the likely Democratic nominee led in the south, followed by Mr Perot and Mr Bush. In the mid-west Mr Bush held a small lead over Mr Perot with Mr Clinton third.

Fujimori's promise leaves many questions

Sceptics, writes **Sally Bowen**, home in on a lack of detail

IN LINE with his commitment to the meeting in the Bahamas of the Organisation of American States (OAS) two weeks ago, Peruvian President Alberto Fujimori has announced elections for October 18.

The Peruvian people are to elect an 80-strong, one-chamber congress. This would draft a new constitution to be submitted to the people in a referendum, Mr Fujimori said.

His Monday night televised announcement was inexplicably delayed for 24 hours but still came as a relief to foreign observers accustomed to abrupt presidential retreats from apparently cast-iron commitments.

While Mr Fujimori gave no details of the election mechanisms by which the congressmen would be chosen, he has invited OAS and other international observers to scrutinise and even advise on the electoral process.

Many other questions also remain unanswered. The government has promised a new law to "democratise" the internal functioning of Peru's political parties and to eliminate the practice of electing candidates by lists, but Mr Fujimori evaded the issue in his address. Neither did he mention the legislative and watchdog powers he had earlier proposed.

Politicians were enraged by the condition that anyone elected to the constituent congress will be disbarred from standing for parliament for 10 years. They say this is for the congress itself to determine.

One senior western diplomat said that the moves were "almost entirely the result of external economic pressures. Mr Fujimori realised, albeit late in the day, that everything he'd worked for during his term of office was about to collapse with the suspension of international aid."

The definitive turn of the international screw was provided by Japan, Peru's chief economic lifeline. The Japanese government had initially expressed "understanding" of Mr Fujimori's April 5 suspension of the constitution on the grounds that parliament and the courts were blocking economic modernisation and his counter-subversive and drugs-trafficking offensives.

But Tokyo, just days before the OAS decision on economic sanctions against Peru, spelled out that, without a swift return to democracy, Japan would also cut off assistance.

That Mr Fujimori managed to cobble together a last-ditch, face-saving proposal for the OAS was largely due to Mr Hernando de Soto, the think-tank chief who, until early this year, was Mr Fujimori's chief adviser on drugs and international relations.

Mr de Soto has for years been promoting a project for "democratising the government decision-making process". That project provided the intellectual meat for Mr Fujimori's Bahamas proposal. If Mr Fujimori were to follow the de Soto proposals to the letter, then Peru would indeed have democracy.

However, Mr Diego Garcia Sayan, president of the Andean Commission of Jurists, is one of many sceptics. "Mr Fujimori's discourse lacks coherence," he says. "It is totally ingenuous to believe that a basically authoritarian president and a de facto regime that rely on the tactics of improvisation and surprise can install a real democracy."

In one advance, Mr Fujimori has reinstated the 1979 constitution pending approval of the new one, "except for those articles which impede the progress of this government". But jurists and human rights organisations remain alarmed that penalties for those involved in the "disappearances" of alleged terrorists have been erased from the statute books.

The April 5 measures appear to have done little to curb subversive activity, and much of Mr Fujimori's support is founded on the hopes that his hard-line approach to fighting subversion will work. Economic stabilisation and future growth hinge on the defeat of terrorism, which has cost the state an estimated $20bn (£11.1bn) in 12 months, about the same as Peru's foreign debt.


Alberto Fujimori: face-saving proposal for OAS

With international economic assistance suspended since democracy was overthrown, the already precarious balance of payments position has been further exacerbated. A $2bn reserves war-chest will cushion the economy for this year, but sweeping debt rescheduling, particularly with Peru's Paris Club creditors, will be essential by the end of the year. And a clean return to democracy will be a pre-condition.

Mr Fujimori is reiterating his commitment to turning Peru into a fully-fledged market economy, "a country for business" he called it on Monday night.

He is promising "definitive stabilisation and the integral reinsertion of Peru in the world system". Wherever possible, he says, this process will be speeded up.

Announcements by Peru's economy minister and privatisation chief in New York last week indicate that the government will now countenance use of debt instruments in the long-delayed privatisation process. Tight domestic liquidity meant that, for local entrepreneurs, the rounding up of a modest $1.3m last week to buy the first state-owned mine was a major feat. The government knows it will need to provide special incentives to attract purchasers for the public sector giants now in the privatisation pipeline.

Mr Fujimori's announcement may be enough to appease the international political community. But re-establishment of fledgling investor confidence and the urgently needed inflow of private capital is likely to be a much longer haul.

Enterprises may escape administrators' reach ● Accounts reveal extent of family stakes ● Inquiry yet to reach offshore principality

Former MCC chief linked to Sphere Inc

By Jimmy Burns, Raymond Snoddy and Betham Hutton

MR KEVIN Maxwell, former chief executive of Maxwell Communication Corporation (MCC) was yesterday working from the London office of a Liechenstein-controlled company with links to the Maxwell family.

The listed four-storey building off Ludgate Hill in central London was rented over a month ago on behalf of Sphere Inc, a California-based computer games publisher. Mr Robert Maxwell, the publisher and media magnate, bought an 80 per cent stake in the company - a stake which is held by the Maxwell Charitable Trust in Liechenstein.

Sphere is a fast expanding Californian company trading under the name Spectrum Holobyte which is expected to have a turnover of $20m this year. One of its games, Crisis in the Kremlin, predicted the coup against Soviet president Mikhail Gorbachev.

It is one of a number of Maxwell business enterprises which UK financial investigators fear are beyond the reach of administrators, creditors and pension funds where more than £400m is missing.

Leaving the building yesetrday afternoon, Mr Maxwell refused to say what he was doing in the building.

"It's a comment that I have made before but for reasons which I hope you will find understandable I cannot talk to the press at this time.

"Circumstances have changed. I am afraid I cannot talk at the moment."

The 2,300 sq ft office, rented from London estate agents Sinclair Goldsmith six weeks ago, is intended to be the British sales office of Sphere Inc.

The deal was completed almost entirely on the telephone – something the estate agents thought unusual although a six month deposit and the first quarter payment was made in advance.

The person renting the offices gave his name as Mr Paul Cohen but did not leave a business card.

"He said he was acting for Sphere but it was all very vague," Mr Paul Gray of Sinclair Goldsmith said. A Paul Cohen is listed in the MCC staff directory as group estate adviser of Headington Investments - the main private holding of Mr Robert Maxwell's business empire.

The telephone number given to the estate agents by Mr Cohen is the same as the home number listed in the internal MCC directory.

The only outside form of identification on the building at number 2 Wardrobe Place yesterday was a notice on one of the windows of a planning application submitted to the City of London Corporation by Sphere Inc on May 19 1992.

The application is for an alteration to a listed building and involves the proposed installation of a security camera.

At around 12.45 pm yesterday, the door at the building was opened by a woman who would not identify herself.

Claiming that she was renting an upstairs room, the woman said there was no company by the name of Sphere Inc in the building, and denied there was anybody else working there.

"There is nobody else here," she said before walking back inside and closing the door.

Mr Peter Gray, of the estate agents who rented the building said yesterday that as far as he knew Sphere had taken a lease on the whole building. The claims made by the woman did not "add up" with his information, he said.

"This is strange," he added.

Liechtenstein lawyers await British investigators

By Ian Rodger in Zurich and John Mason in London

BRITISH investigators into the collapse of companies controlled by Mr Robert Maxwell have yet to contact the Liechtenstein lawyers associated with many of the secretive companies in the group.

Liechtenstein lawyers are normally reluctant to reveal information about their clients, who tend to be wealthy people seeking to hide from tax collectors.

But the tiny alpine principality wedged between Austria and Switzerland does not want to be a haven for serious crime, and Mr Maxwell's Liechtenstein associates made clear as long ago as January that they were eager to co-operate with the British investigators of this case.

However, Mr Werner Keicher, a lawyer in the Vaduz based trust advisory firm, Allgemeines Treuunternehmen (General Trust), said this week that he had not yet been approached by the Serious Fraud Office (SFO) or any other British authorities.

Mr Keicher is a director of the Maxwell Foundation, which was the main Liechtenstein vehicle used by Mr Maxwell to control many of his interests. Mr Maxwell also set up through Allgemeines Treuunternehmen at least six other Liechtenstein based foundations, at least one of which was used to conceal the source of funds for propping up the price of Maxwell Communications shares.

Under Liechtenstein law, lawyers can co-operate with foreign investigations only if the beneficiaries of the foundations waived their right to secrecy or if the foreign government concerned requested co-operation in connection with a criminal inquiry.

The formal procedure for making an official request of a foreign country for co-operation is quite complicated, passing through various agencies of the two countries concerned. Also, inquiries have to be put in very precise terms that comply with, in this case, Liechtenstein law.

Mr Keicher said he had the impression that the British authorities were well informed about the Liechtenstein side of the Maxwell story. "There are no assets here, no money. Perhaps they decided it was not worth it," he said.

The Serious Fraud Office, which would take the lead role in any approach to the Liechtenstein trustees, yesterday refused to comment, saying the matter concerned operational details of its investigation.

The Liechtenstein foundations, however, are one of the subjects of the SFO's inquiry into the Maxwell affair. As the inquiry, still in its middle stages, develops, it is thought likely that the use of the foundations will be probed more closely.

On the trail of Maxwell's empire of enterprise

By Andrew Jack

THE ACCOUNTS of Fivetell, one of the companies being examined by investigators trying to find assets outside the control of the administrators to the collapsed Maxwell empire, provide an insight into the activities controlled by members of the family.

Fivetell was created by Mr Robert Maxwell in 1984 to purchase a substantial stake in Derby County Football Club, which he bought after a winding-up petition earlier that year. There was a substantial shareholding in the company by Headington Investments.

Kevin and Ian Maxwell are listed as the two directors of the company in the latest documents filed with Companies House on February 25 this year.

Both are shown as current directors of Fivetell and another company called Panlor, and Kevin also of Oxford United Football Club.

The majority of the company is owned by two members of the Maxwell family – Pandora and Laura.

Fivetell's 89.5 per cent holding in Oxford was recently sold to Biomass Recycling, an Oxford-based company which runs protection programmes for tropical rain forests and non-human primates.

Kevin is shown as having held more than 270 other directorships of other companies, and Ian 170.

Ian also listed a shareholding in Fivetell, while Kevin shows shareholdings in London & Bishopsgate Holdings, Marblue, Newton, Chambers & Co, Oxford United Football Club and Sheenwood First Nominees.

The accounts of Fivetell for the year to May 31, 1991 show that a loan of £3m – believed to be unsecured – was made after the accounts were approved.

Fivetell also had an outstanding loan of £622,000 last year to Publishing and Databank Consultants, controlled by the Maxwell estate. The loan has since been repaid.

The accounts show a pre-tax profit of £726,000 for the year, and a deficiency of assets of £1.4m. Fivetell appears to have been used to hold the family stakes in Oxford United as well as Derby County. Both stakes were sold through Mr Robert Maxwell's estate, which is in receivership.

Documents for Panlor – one of the companies listed as current directorships for Kevin and Ian – show that it was created on December 20 last year.

No accounts have yet been filed, but it shows the two "allottees" holding 49 shares each are Pandora and Laura Maxwell.

Mr Neil Cooper of Robson Rhodes, the accountancy firm, who is liquidator to the Maxwell pension funds, said he was aware of a number of "little puddles of money left around" in different companies and trusts which may have been "war chests".

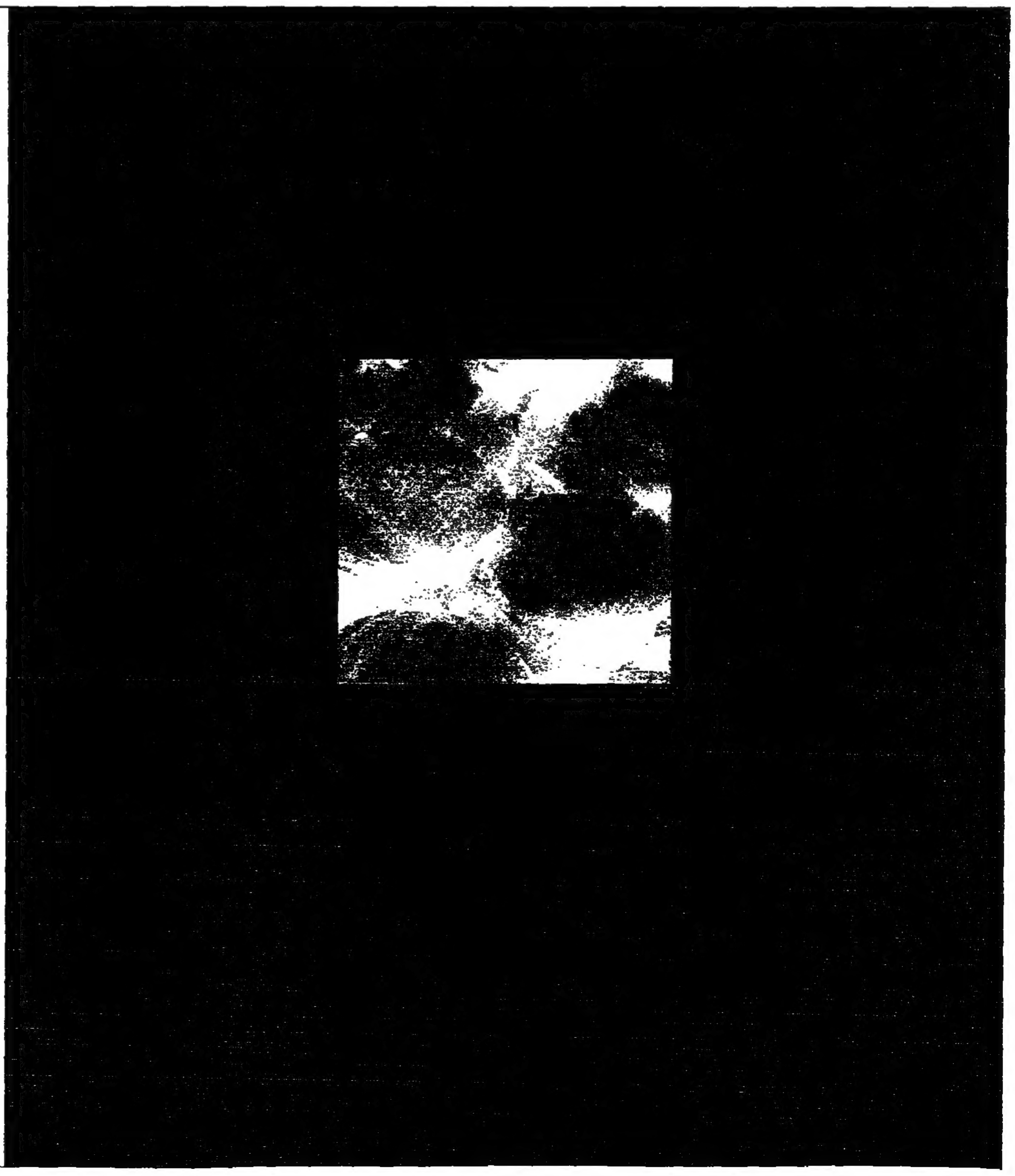
Alternatively some may have been vehicles through which money circulating in the Maxwell was passing "when the music stopped," he said.

"We still don't know the full ramifications of any of these strange companies," he said.

"But there is still a great deal of energy being spent investigating and tracking them down."

Tony Andrews

Mr Kevin Maxwell arriving at the offices of Sphere yesterday. "Circumstances have changed", he said. "I am afraid I cannot talk at the moment."



Docklands wins 2,000 jobs pledge

By Philip Stephens and Vanessa Houlder

THE UK government yesterday hardened its commitment to relocate at least 2,000 of its administrative employees to London's Docklands as ministers sought to give a breathing space for the administrators of the failed Canary Wharf development.

Separately, Ernst & Young, the administrators, made 44 of Canary Wharf's 198 office staff redundant yesterday afternoon. They said that further redundancies among office staff would follow "as certain of the group's activities are completed".

Most of the 218 O&Y employees involved in estate management at Canary Wharf will keep their jobs, they said. "The joint administrators do not envisage any material reductions to these employees as they wish to maintain the full services to existing tenants."

In the House of Commons yesterday, Mr Michael Howard, environment secretary, said Canary Wharf was among three sites under study for the move by civil servants from the Department of the Environment. The others were Harbour Exchange and East India Dock, both on the Isle of Dogs.

Mr Howard said he expected to conclude soon an outline deal to lease space in one of the sites. Officials said that meant a decision was likely before the end of this month.

He repeated that there could be no subsidy, "hidden or otherwise", in the deal, adding that the government would go ahead with the extension of the Jubilee Line only if the owners of Canary Wharf contributed the £400m agreed previously by Olympia & York.

The environment secretary repeated that the government would not intervene directly in any rescue operation. But Lord Wakeham, the lord privy seal, is understood to be in active contact with potential purchasers of Canary Wharf.

Mr Howard said the move by his department and by the DTI's Radio Communications Agency could be followed over the longer term by the relocation of civil servants from other Whitehall departments.

One minister said the high quality of accommodation available at Canary Wharf made it a front-runner, but the National Audit Office would have to be satisfied it represented the best value for money. Mr Howard, who faced pressure from some Conservative MPs to confirm that the government would go ahead with the Jubilee line extension, said that he was confident that the owners of Canary Wharf would come up with the agreed contribution.

The maintenance of Canary Wharf will be discussed this week at meetings between tenants and administrators. The tenants will seek assurances about the security of the project and the payment of rent on former properties, one of O&Y's inducements for them to move to Canary Wharf.

Mixed reception for the World Service

By Raymond Snoddy

FOUR out of ten of the BBC's World Service listeners cannot hear programmes clearly, despite the £166m which has been spent improving audibility, a new report said yesterday.

The National Audit Office called on the service which broadcasts in 38 languages to an audience of 120m to improve its efficiency in several categories. A survey by the government and public body watchdog found 15 per cent of their sample could not tune in at all, and a further 27 per cent had to pay close attention to hear the programme.

Against that, it found that 58 per cent had good reception.

The report paid tribute to the service's independence and standard of broadcasting. It found that the organisation, funded by government grant "has a generally satisfactory system of resource planning, financial management and had developed comprehensive procedures to assess the effectiveness of its output."

The NAO also said the service might be given more authority to vary the amount of time broadcast, within time and basic Foreign and Commonwealth Office priorities.

The Foreign Office paid £143m to fund the World Service in 1991-2, not including £16m for monitoring other foreign broadcasts.

The National Audit Office also says it would like to see the World Service move into profit on its commercial activities.

In 1986 the World Service attacked the idea of the NAO carrying out an audit on the World Service as a potential threat to its independence. The BBC later changed its mind.

BAe to halve capacity at satellite plant

By Daniel Green

BRITISH Aerospace (BAe) is to halve its satellite manufacturing capacity with the loss of up to 640 jobs.

BAe blamed the job cuts at the company's plant in Stevenage, Hertfordshire, on the loss of an order last week for a Japanese satellite. That contract was won by Hughes Aircraft of Los Angeles, the world's most successful manufacturer of satellites.

Mr David McLaurin, managing director of BAe's Communications Satellite Division said: "We regret having to make this announcement, however it is necessary to protect the business for the future and allow us to continue to be competitive and effective."

The company said some of the redundancies could be compulsory.

BAe has been under pressure for many months as orders in the increasingly competitive communications satellite market dried up. It has been in talks since last summer with Anglo-French rival Matra Marconi Space over merging the companies' satellite operations. BAe is bidding for a contract to build Arabsat, for the Arab League. If it wins, the number of redundancies would be about 140 fewer.

Down to earth: Russian cosmonauts Victor Savinykh (left) and Victor Afanasyev arrived on the research ship *Cosmonaut Paul Belyaev* at London yesterday as part of the Columbus '92 expedition to mark International Space Year and the 500th anniversary of the discovery of America. The ship is being used as a floating conference centre for seminars on disarmament and the environment during a 46-day European voyage

Britain in brief

Kaufman to quit party role

Labour's foreign affairs spokesman, and the man who would have been foreign secretary in the event of an opposition election victory, announced he would not be seeking re-election to the "shadow cabinet" nor the party's ruling National Executive Committee.

Mr Gerald Kaufman, 61, said he would remain as an MP. He said: "I think it is right to make way for another political generation who, under the leadership to be elected next month, can carry the Labour Party through to success in the next general election and into the next century."

Nirex delays N-waste plan

UK Nirex, the nuclear waste consortium, announced a one year delay in submitting its intended planning application for Britain's first underground repository for radioactive waste.

Nirex said the delay, expected to cause a year's slippage in the timetable for the £2.5bn project but not to significantly increase costs, was because it has insufficient information on the hydrogeology of the Sellafield area of West Cumbria, its preferred site.

Companies disclose more

Companies are beginning to disclose more information on directors' responsibilities and rewards, according to the latest issue of Company Reporting, the Edinburgh-based monitoring service of annual accounts.

Reports from Smithkline Beecham, the pharmaceuticals group; Tesco, the supermarket group; Guinness, and Pearson, which owns the Financial Times, have published information on directors' remuneration including performance-related incentive payments, it notes.

Other groups, including Grand Metropolitan, ICI, Sedgwick, BICC, First Leisure and Lonrho have already produced statements on corporate governance and directors' responsibilities, but provide little information on how directors are paid.

Complaints to ombudsman

Complaints to the investment ombudsman decreased slightly in the year to the end of March, but the amount paid out in compensation rose from £22,655 to £114,272.

These figures contrast with similar schemes covering banks, building societies and insurance, which have shown a marked increase in complaints this year.

However the ombudsman, Mr Richard Youard, said this was probably due to the recession, which discourages stock market investment while increasing reliance on banks and building societies.

UK reserves up $29m

The UK's official reserves rose by $29m in May, bringing reserves to $4.58bn at the end of May, compared with $4.57bn at the end of April. The underlying change in reserves during May was a rise of $77m, slightly lower than City expectations.

Tebbit goes to court on Lonrho

Mr Norman Tebbit, the former trade and industry secretary went to the Court of Appeal in a fresh attempt to stop Lonrho, the international trade conglomerate, suing him and the Department of Trade and Industry for alleged negligence over their handling of the 1985 takeover battle for the House of Fraser stores group.

UK 'poised' for recovery

Britain is poised to benefit from a "sustained but fairly slow recovery", Sir Michael Angus, the newly-elected president of the Confederation of British Industry, the employers' association, said.

Sir Michael, speaking in Birmingham, said there were grounds for cautious optimism about economic revival, although he warned that inflation was not yet defeated and dismissed suggestions that the government should help kick-start the economy.

He claimed that the latest anecdotal evidence, combined with the most recent findings of the CBI's own surveys, suggested the economy was beginning to haul itself out of recession.

Labour shift on contracts

A marked shift in Labour's attitude to the contracting-out of services to the private sector was signalled by one of the party's senior local government leaders.

Mr Jeremy Beecham, head of the Labour-dominated Association of Metropolitan Authorities and leader of Newcastle upon Tyne council, said that quality of service, not the identity of its provider, should be Labour's prime concern.

Mr Beecham conceded that "pressure on the competitive tendering front will continue." He added: "Local government has to recognise that the public is not intrinsically interested in who is providing a service but in what kind of service they receive."

MANAGEMENT

Peugeot and Renault have made big strides to put their chequered pasts behind them. **William Dawkins** says they now plan to take on the Japanese carmakers

The road to recovery

It used to be said that French carmakers would be knocked spinning by Japanese competition once Europe lifted its curbs on car imports at the end of the decade.

Now is the time to send that view to the crusher. Over the past decade, Peugeot and Renault, the country's two main car groups, have retreated from the brink of bankruptcy and top executives at both believe they can catch up and fight on equal terms with Japan.

Last year, the Peugeot group, which also includes Citroën, was the world's most profitable carmaker in terms of net sales margins. Renault staged a startling recovery, with more than doubled net profits, and outsold all foreign competition in the fast growing German market.

Can these be the same companies that were one of Europe's biggest industrial headaches 10 years ago? Not quite. Since then, they have made big increases in quality, productivity and efficiency.

European volume producers took more than twice as long per man as their Japanese counterparts to make a car in 1989, according to a seminal study by the Massachusetts Institute of Technology (MIT)*. Today, French carmakers' productivity is a mere 10 per cent behind that of Japanese car producers in Britain, itself 10 per cent behind the Japanese in Japan, says another study by consultants McKinsey.

Just how Peugeot and Renault came so far is instructive to other European manufacturing industries aiming to match Japanese productivity standards.

Like carmakers across the world, the French have made deep cuts in their workforces, down by 25 per cent over the past five years at Renault and 5 per cent at the leaner Peugeot. They still have a long way to go, according to a recent study by the French planning commission, which estimates that the French car industry must trim its labour force by another 2.5 per cent a year for the rest of the decade to be competitive.

Job cuts are only part of the story. Peugeot and Renault have have also made profound changes in the way people and stocks are organised, overturning old hierarchies and introducing Japanese-style project and production management teams.

Peugeot reckons to have improved the number of cars made per man by 50 per cent in five years, while Renault says it has improved its productivity by 6 per cent per year over the same period. Both aim to repeat that improvement by the end of the decade.

This is partly the result of heavy investment in automated production lines in the mid-1980s. The investment has not been an unqualified success, however. Recently, they have re-introduced more labour and simpler machines to the shopfloor, because the new robots broke down too often.

This is revealing, for as the MIT study pointed out, organisation is more important than automation in even the most modern Japanese plants. Again, Renault and Peugeot applied a lesson from Japan by breaking down the old production line into small, autonomous units, each responsible for product quality and machine maintenance.

This has already enabled Peugeot to close the refinishing departments which used to occupy 10 to 20 per cent of total production time. "Now each team does its own refinishing on the production line and is taught to treat the next team down the line as a customer," says Jean-Yves Helmer, director of the Peugeot group's car division.

French carmakers see themselves today, like their Japanese competitors, as primarily designers and assemblers. They have mostly stopped being highly integrated, although they still make what they consider to be strategic components like automatic gearboxes, where Peugeot and Renault are considering collaborating. Bought-in components have risen to just over 60 per cent of costs at Peugeot and 67 per cent at Renault, a steep rise over recent years.

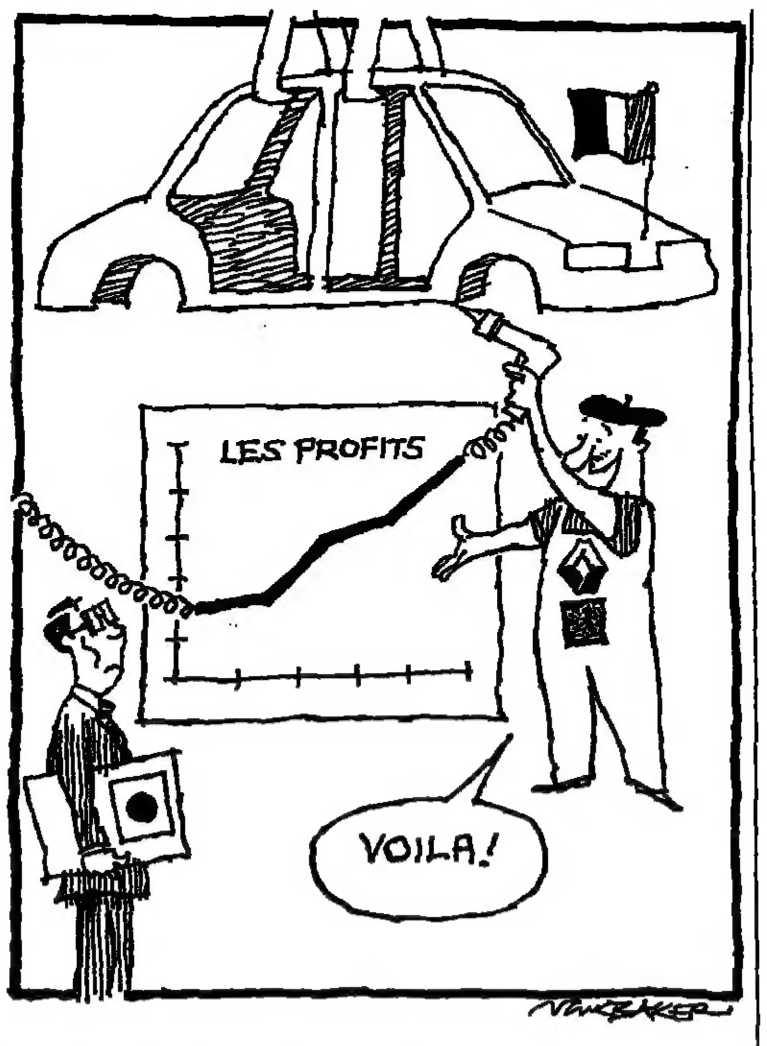
Renault has set up a "make or buy committee", which treats in-house suppliers on the same footing as external components makers, says Philippe Gras, deputy chief executive. Like the Japanese, the French have started to work more closely with component suppliers, to the extent of consulting on new designs.

Peugeot and Renault have for the past five years been running joint audits to keep component suppliers' quality up to the mark, grading them – Japanese style again – according to their ability to do their own quality control. They are thinking of extending this system to cover suppliers' productivity too.

Suppliers are also expected to deliver more frequently to match the just-in-time stock control which is now commonplace in both groups' factories. Peugeot, for example, has reduced its stocks of unfinished goods from 12 days' supply in 1984 to four days last year. But this technique is also a risk for French carmakers, because they cannot guarantee Japanese-style labour stability. Renault discovered this to its cost last year when a strike at its engine and gearbox plant took 10 days to bring its entire French and Belgian car production to a halt.

Design management is another important element in productivity where the French are quickly applying lessons from the Far East. Japan still designs and launches new cars much faster and more cheaply than France, for around FFr3-4bn (£300m-£400m) in three years, as against the French average of FFr6-8bn in four to five years.

Renault and Peugeot have taken similar approaches to the problem. Formerly, new cars were designed in a cumbersome way, with the blueprint passing from the design department through engineering and production management. Both companies have in the past three years started setting up project teams, which bring together all departments involved in a new car launch to work simultaneously.



Peugeot last year placed the design teams of its two sister companies under a single management to help them work faster and expects to produce the first concrete results for new models from 1994.

Both agree that despite the progress, one big problem remains. French carworkers are older and less educated than their Japanese counterparts. "Gigantic efforts," are needed to correct this handicap, says the planning commission report, which calls for heavy public spending on retraining.

"We have from now until the year 2000 to get up to the right level. All of us in the company know we can do it," says Gras.

The Machine that Changed the World, by James Womack, Daniel Jones and Daniel Roos; Macmillan.

Bringing order to the AGM

Company chairmen need no longer dread the yearly circus of the AGM. There is no further need to stand up unprotected, fielding a barrage of awkward questions about the dividend policy and the group's dubious employment policies in South Africa.

A new computer system promises to make AGMs into well co-ordinated productions in which the company pulls all the strings. As shareholders arrive, they log questions into a computer. The questions are automatically sorted according to subject matter and transmitted to the relevant company expert. He or she can then put together a tactful answer that the chairman simply reads off his Autocue.

Shareholders are given badges so that they can be summoned to the microphone with minimum fuss when their turn comes.

The new system, called Q+A, has been developed by Q-TV Prompting, a computer company based in north London. At £1,500 to £3,000 for hire of equipment and staff for a meeting, it is expected to appeal mainly to larger companies.

Cynics might wonder whether the technological wizardry of large AGMs has not already gone too far. Video shows and special effects are now *de rigueur* for larger companies, while the typical small shareholder is often more interested in a free glass of sherry.

As for awkward challenges, chairmen have already been well rehearsed by their PR companies on how to get around analysts' probing questions at the time of the results. Other shareholders may have nothing more to ask than about the shortage of of wholemeal muffins in the Croydon branch. Answering that should be a piece of cake, even without a computer.

The newly-privatised utilities – which are expected to be natural buyers of Q+A because of their armies of shareholders – already seem to be overdoing their AGMs. British Gas hired the National Exhibition Centre in Birmingham for its first meeting, expecting a good turnout from its millions of private investors. In the event only a handful turned up. More recently, a similar fate befell Scottish Power.

Lucy Kellaway

Full of beans but unable to fight fatigue

Dr Michael McGannon explains why it is risky to drink too much coffee

HEALTH CHECK

Fatigue is a serious problem for the manager of the 1990s. Unfortunately, the remedy chosen by most people – a cup of coffee, or five or six – may be more serious still. By automatically reaching for the coffee pot, managers may be adding to their fatigue, increasing sleeplessness, and making their bodies unable to deal with jet-lag.

Caffeine, which was introduced by Arabs in the 15th century, has long been used to bolster flagging energy levels. However it is becoming increasingly clear that there is a level at which caffeine stops being a harmless stimulant to the central nervous system and becomes an irritant and health hazard.

In moderation, caffeine consumption poses no serious health problem. However the difficulty is to determine exactly what this safe level is: it depends on how the coffee (or to a lesser extent, tea) was prepared.

Caffeine comes from a family of stimulants which come from coffee beans, tea leaves, cocoa beans and cola nuts, and are used in headache pills, anti-sleep pills, painkillers, diet and allergy pills, anti-asthma pills and flavourings.

Coffee is the most concentrated form of caffeine: an espresso contains at least 300 milligrams, whereas a cup of American-style brewed coffee has only 100 mgs. Tea and most colas contain about half that. To confuse matters further, some people are more sensitive to caffeine than others.

This makes it is hard to establish a clear causal relationship between consumption of caffeine and its ill effects, although it is generally agreed that in excessive quantities (500-1,000 mgs) and in sensitive people, caffeine damages both mental and physical performance.

The most common symptoms are: rapid and irregular heart beats, increased breathing rates, dehydration and mineral loss, increased production of stomach acid (possibly leading to ulcers, sleeplessness, irritability and tremulousness.

WHAT TO DO

- If you have a heart problem, ulcers, or are pregnant, caffeine, in all its forms, is off-limits. Consider herbal teas or orange juice instead.
- Those not in these risk groups, should monitor the symptoms to assess their own caffeine threshold. If you feel nervous, tremulous or cannot sleep, ask yourself how much caffeine you have consumed that day.
- If you are particularly sensitive, check labels on foods. There may be a hidden sources of caffeine, such as chocolate.
- If you genuinely enjoy the taste, shift to decaffeinated, or drink tea.
- Enjoy beverages that contain caffeine for the taste and effect, but compensate for the fluid loss by drinking more water and eating more fruit.

The author is the medical director of the Insead Business Health course.

BUSINESS AND THE ENVIRONMENT

Rio de Janeiro's once-sparkling bay is turning into a cesspool. **Christina Lamb** examines a plan to restore its natural splendour

Beautiful face, polluted soul

Entering the bay of Rio de Janeiro with its long sweeps of golden sand backed by strangely shaped granite peaks must feature among the most spectacular sights in the world.

Visitors arriving for the Earth Summit will no doubt be as impressed as the bay's first tourist, Amerigo Vespucci, the Italian navigator, back in 1502.

But while Vespucci found a sparkling island-strewn bay surrounded by a rainforest inhabited by a few thousand Indians, today's visitors may notice a slightly rank smell and find the beaches less than appealing for swimming.

The 380 sq km bay, known as Guanabara, or "arm of the sea", is dying as a result of large quantities of litter and untreated sewage thrown into it each day by an ever-swelling population.

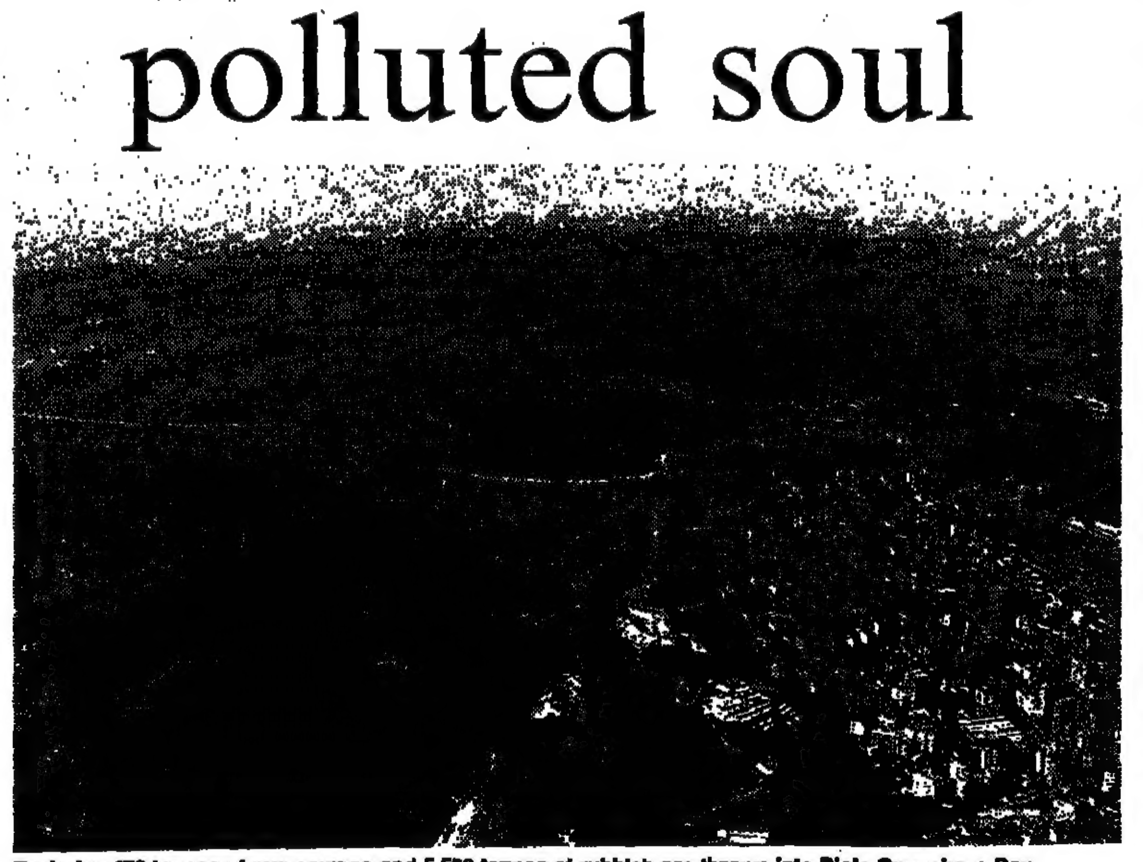
In the last 20 years the number of fish has been reduced by 90 per cent and its heavily polluted waters provide a striking symbol of the effect of poverty and development on the environment – the heart of the Earth Summit debate.

The Guanabara Bay is today a huge rubbish dump into which 9m people throw 470 tonnes of untreated sewage and 5,500 tonnes of litter each day. This is joined by 70 tonnes of effluent from 6,000 industries and nine tonnes of oil from two refineries. Landfills to construct roads to cope with the influx of migrants from Brazil's drought-stricken northeast has reduced the number of islands from 43 to four.

So serious is the situation that the financially pressed Rio authorities have decided that the problem can no longer be ignored. This week a loan will be signed with the Japanese Overseas Export Credit Fund (OECF) and a pledge given from the Inter-American Development Bank (IBD) for a $777m (£430m) project aimed at halting the pollution and reducing by 30 per cent the quantity of untreated sewage in the bay. This will form the initial part of a $4bn programme to restore the bay which it is hoped will then serve as a model for other Latin American cities located on estuaries.

Some 12 technicians from the Japanese International Co-operation Agency (Jica) are already in Rio analysing the water. From their studies they will create mathematical simulations of its hydrodynamic qualities such as the currents and how long water is retained. This will then be developed into a masterplan for the next 10 years.

Japanese assistance will be based on experience of cleaning the Bay of Tokyo – which is four times larger and took 30 years to restore. "When we started depolluting Tokyo's bay conditions were similar. The number of fish had been greatly reduced and no one could enter the water," says Senro Imai from Jica.



Each day 470 tonnes of raw sewage and 5,500 tonnes of rubbish are thrown into Rio's Guanabara Bay

Rio, he says, will be easier in that the number of inhabitants and industries are fewer but the water is shallower. Moreover, Imai points out: "We did not throw untreated sewage in our bay. Our problem was more with industrial effluent which is easier to control."

The combination of organic material such as sewage and litter collected in the Rio bay has led to an excess of nutrients which accelerates the growth of algae and leads to an overconsumption of oxygen, killing off higher organisms.

"The situation is really worrying. You can sense the bad smell as you go past. Recuperation will bring immense benefits as it did to Tokyo such as recovery of fishes and leisure activities boosting the economy," says Imai.

The clean-up of Guanabara Bay is the biggest environmental project ever undertaken in Rio. The first stage will comprise $350m from the IBD, $248m from the OECF and $179m from the state authorities. Contracts for the large number of works involved will be open to international bidding and the Rio authorities hope to benefit from some transfer of technology.

The project has five main components:

- A series of sanitation works to improve sewage collection and treatment as well as water distribution. Currently, around half the people living in the bay area do not have sewage facilities while around half of what is collected is not treated.

These services will be extended while water distribution will be improved. "Even though we have plenty of potable water, currently we suffer losses of 50 per cent of the water in distribution because of the age of the system and the various leaks and holes that have developed," explains Manoel Sanches, head of the Guanabara Bay project.

- Drainage. The 35 rivers flowing into the bay start from sharp inclines. This means that as they near the plains around the bay they spread easily. When it rains heavily this provokes violent floods in the city of Rio and landslides in the slums or favelas in which hundreds of people have died in recent years.
- Solid waste or litter. The litter thrown into rivers by favela populations worsens the drainage and flooding problem. This project plans to collect litter to prevent it going into rivers.
- A complementary environment programme of monitoring and environmental education.
- Digital mapping to chart the bay through aerial and satellite photos. The information will be stored on computer in order to study urban occupation and the use of public services, and to plan the use of land for agriculture, urban population or forest regeneration.

Sanches says this has a twofold value: "It will enable us to prepare plans for providing drainage, transport and housing but will also be of immense benefit in terms of tax collection because we can detect where people are using services and not paying."

This project began one year ago and Sanches says it has already resulted in a 25 per cent – or $150m – increase in revenue collection. "This will give financial viability to the project. The aim is for the programme to be self-financing," he stresses.

In planning the depollution programme the populist state government has come across a problem which Sanches describes as a "symbolic paradox between development and environment" and which is at the crux of current debate between north and south.

"If you extend urban services such as sewage collection you improve the quality of life for people who currently throw their sewage into the ditches in front of their houses.

"But at the same time you increase the amount of organic material thrown into the bay, and thus pollution, because we cannot afford to treat it. The alternative is to increase treatment of that already collected and not extend collection services," he explains.

"The problem is that resources are always scarce and environmental demands are always limitless. For the time being we have to make a choice between increasing the network which is politically more acceptable or increasing the treatment of what we already collect, which is better from the environmental standpoint. The challenge is to find an equilibrium."

Within this $4bn programme the aim is to increase both sewage collection and treatment to avoid further pollution and to reduce the amount of untreated material entering by almost a third. But to completely recuperate the bay would, says Sanches, take far more.

"Realistically we are probably never again going to have dolphins playing," says Roberto D'Avila, the state environment secretary.

The project is particularly important in Brazil because 70 per cent of the country's population is concentrated in coastal areas and only two of its 10 big metropolitan regions are inland.

D'Avila is confident that it can result in social and environmental benefit for the area and political benefit for the state government: "I see this as a very symbolic project which reunites urban development and social service, environmental protection and transfer of technology. It is the perfect example of the Earth Summit."

Hotels check out green credentials

By Hilary de Boerr

Hotel groups around the world are getting together to promote good environmental practice by committing more than 1m rooms to an environmental campaign. The scheme will be launched this summer by the Prince of Wales Business Leaders' Forum, a network of international company chairmen and chief executives supporting the concepts of good corporate citizenship and sustainable development.

Hilton International, Inter-Continental Hotels, Marriott, Meridien, Ramada and Sheraton are among the groups due to sign an environmental charter for the industry, covering areas such as waste management, product purchasing, air quality, energy conservation and noise pollution.

The initiative stems from the work of the Inter-Continental Hotels group, which last year developed a comprehensive reference manual incorporating the environmental practices implemented by its 101 hotels. The manual was made available to the group's main competitors and relevant industry organisations, and now, through a link with the Business Leaders Forum, is being promoted as an international industry-wide handbook. John van Praag, chief executive of Inter-Continental, said implementing environmental measures did involve a financial commitment up front, but this would be recouped longer-term through reduced operating costs.

However, environmental responsibility was not being pursued for economic reasons, he said. "The only business reason that could motivate change is if hotels feel their clientele will stay with them because they are visibly conscious of their effect on the environment." Shareholders were also increasingly demanding environmentally-responsible practices.

Inter-Continental's environmental policy is that the group "recognises its moral and ethical responsibilities as a global citizen in protecting the environment for this and future generations".

Inter-Continental devotes one half-page of its hotel room brochure to tell clients of its environmental measures. They include re-using and saving water in the hotel laundries (a laundry at a 500-room hotel at 80 per cent occupancy uses about 20m litres of water a year); energy conservation through insulation, improved design and appliance efficiency; auditing products and services purchased for their environmental impact; re-using and recycling products to reduce waste, for example tearing up worn linen for cleaning cloths and dusters.

Inter-Continental, Washington DC

Employee training and commitment is seen as crucial – as is keeping staff informed of environmental achievements. The Inter-Continental group operates a bonus system for employees based on a hotel's environmental rating. Its hotels are subjected to quarterly appraisals and each receives a grade – taking into account such things as the availability of recycling outlets in developing countries.

The hotel's environmental reference manual explains in detail such subjects as air emissions, asbestos, CFCs and global warming, and describes how hotels can exercise their environmental responsibility. Practical advice is accompanied by sample checklists, diagrams for energy and waste management systems and even equations to help a hotel calculate how much of its waste paper could be recycled.

The Business Leaders' Forum hopes the co-operative venture will become a model for other global industrial sectors. "The hotel industry is very decentralised with highly centralised controls. It's the best industry in the world for implementing this," said Robert Davies, the forum's chief executive.

Reinsurer can dispute claims

IN RE A COMPANY NO 0013734 OF 1991
Chancery Division: Mr Roger Kaye QC sitting as a deputy High Court judge: April 30 1992

A WINDING-up petition brought against reinsurers by an insolvent reinsured for non-payment under reinsurance contracts in respect of settled or actuarially valued but as yet unpaid insurance claims, will be struck out despite contractual wording which in a simple case would impose an obligation on the reinsurers to indemnify for unpaid claims, if they dispute liability in good faith and on substantial grounds raising issues inappropriate for resolution on the petition.

Mr Roger Kaye QC sitting as a deputy Chancery judge, so held when granting an application by the reinsurer company to strike out a winding-up petition presented by the reinsured.

HIS LORDSHIP said that the reinsured was in liquidation, having been ordered to be wound up by the Supreme Court of Bermuda on May 17 1985.

It claimed $122,244 against the company under two reinsurance contracts. The sum represented $43,119 settled claims, and $87,498 claims which had not been settled but were calculated following an actuarial valuation of the underlying contingent claims against the reinsured. The valuation was carried out in a manner approved by order of the Bermuda court.

The company argued that no liability to pay had arisen. It said the petition should be struck out because the debt on which it was based was disputed in good faith and on substantial grounds.

The reinsured contended that there was no *bona fide* or substantial dispute.

Under the two contracts, the company's liability was to "pay the excess of an ultimate net loss" over specified limits.

By article 6 "ultimate net loss" meant "the sum actually paid by the reinsured in settlement of losses or liability".

The article must be read in conjunction with articles 15 and 16.

Article 15 provided that "all *loss settlements made* by the reinsured including compromise settlements" were binding on the company "upon reasonable evidence of the amount paid being given by the reinsured".

Article 16 provided that the reinsurance was subject to the same terms as the original policies "and shall pay as may be paid thereon".

To avoid a protracted liquidation the liquidators arranged actuarial valuation of the contingent claims, approved by the Bermuda court.

Mr Chivers for the company submitted that the reinsured was not entitled to call for payment unless and until the original claim was actually settled and paid. He said there was no evidence that the settled or the actuarial claims had been actually paid.

Mr Millett for the reinsured argued that the combined effect of articles 6, 15 and 16 was that all that was necessary was to show the amount of the company's liability, which was established in the form of settled claims or, in the case of the actuarial claims, by the Bermuda order.

The latter, he said, amounted to a "loss settlement" or "compromise settlement" binding the company under article 15.

The first issue was whether it was a precondition of the company's liability that the reinsured should actually have paid the assureds. The issue related to both settled and actuarial claims.

Article 6 referred to sums "actually paid". Article 15 referred to "reasonable evidence of the amount paid", and to "loss settlements". Article 16 referred to the requirement to pay as might be "paid".

The material word used was "paid". At first blush therefore, on the language of the reinsurance contracts, the court would have been inclined to favour Mr Chiver's interpretation.

Nevertheless, the authorities cast considerable doubt as to whether, at least in the case of an insolvent reinsured, that approach was correct.

In *Re Eddystone Marine Insurance [1892] 2 Ch 423*, Mr Justice Stirling upheld a contention by liquidators that, notwithstanding that the reinsured had not actually paid the assureds, the reinsurer was *liable to indemnify it*.

The case concerned a "pay as may be paid clause", but did not deal with an "ultimate net loss" clause of the type reflected in article 6.

That type of clause came under consideration in *Home v Overseas Insurance v Mentor Insurance [1989] 1 Lloyd's Rep 473.480.*

There, plaintiff reinsurers argued that the loss clause was so clear that they could only be liable after the reinsured had actually paid the assureds. Mr Justice Hirst rejected the submission. He said it was "unjust and discordant with commercial good sense that, by reason of the accident of a reinsured becoming insolvent, the reinsurer (who had accepted premiums) should go scot-free".

Were it a simple matter of construction and the only issue was whether settled (albeit not actually paid) claims fell within the terms of the reinsurance contracts, the present court would have refused to strike out the petition.

There was considerable force in the reasoning of Mr Justice Stirling and Mr Justice Hirst. It did seem a matter of plain common sense that in the context of a winding-up "paid" must mean "liable to pay".

However, it would not be right to allow the present petition to go forward on the first issue.

The factors leading to that conclusion included the following:

It was not the only issue in the case. Other issues might have a significant bearing on the construction of the reinsurance contracts. The reinsured was being wound up in Bermuda. It was not clear which law governed the contracts. That might have a bearing. It was clear from the number of authorities considered in *Mentor* that the matter was by no means simple and straightforward, particularly where the reinsured had become insolvent. Also, there was the additional complication of the actuarial claims. It might be that the company (which contended it had no notice of the claims calculations) could intervene in the Bermudan proceedings to challenge the methodology leading to calculation.

Those factors raised serious and complex issues which were not appropriate to resolve on an interlocutory motion or on the hearing of a winding-up petition.

The court could not say that the company's argument had no rational prospect of success, or that the reinsured's argument could not be seriously questioned.

On that basis alone therefore, the company showed that the reinsured's claims were *bona fide* disputed on substantial grounds.

The second issue was whether valuation of contingent liabilities in accordance with the Bermuda order was a "loss settlement" or "compromise settlement" for the purposes of article 15.

Mr Chivers said it was not, because *inter alia* the company was not a party to it and the Bermuda court did not purport to settle claims by the reinsured against the company. Mr Millett submitted that it was, because *inter alia* the company had every opportunity to be aware of it and did not challenge the method of valuation. He said it did not matter that the company was not a direct party to the order.

Again, the court was satisfied that the company showed that that part of the petition debt which was dependent on actuarial valuation was *bona fide* disputed on substantial grounds. There was a serious issue to be tried as to whether the Bermuda order was indeed a "loss settlement" for the purposes of article 15.

The third issue was whether the reinsured had provided "reasonable evidence" of the claims for the purposes of article 15.

Its figures had already been challenged and corrected, and it was impossible to say that they could not be seriously questioned when examined in the full light of discovery and forensic examination.

The petition should not be allowed to go forward in the present state of the evidence. It did not make it clear beyond peradventure and without more, that the company was indebted in the sum claimed.

For the reinsured: Richard Millett (DJ Freeman).

For the company: David Chivers (Paisner & Co).

Rachel Davies
Barrister

PEOPLE

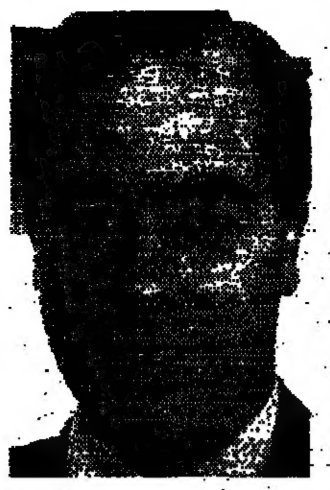
Liffe's new era of management

The board of the London International Financial Futures and Options Exchange (Liffe) yesterday voted in **Nicholas Durlacher** as the new chairman, succeeding David Burton. He has been deputy chairman for the past four years and stood unopposed at the board meeting, as was expected.

Durlacher is unlikely to push for any major change of course at Liffe, which merged with the London Traded Options Market earlier this year.

However, the troubled merger, and last year's move to new premises at Cannon Bridge in London does signal a new era for the management of the exchange.

Liffe is still searching for a replacement for Michael Jenkins, chief executive of the exchange, who is stepping down in the autumn. Jenkins



is to be the new chairman of the London Futures and Options Exchange (FOX).

Durlacher yesterday vowed to "fulfil the potential" of the equity product range, revive the ailing Ecu bond future and develop new products, including possibly an insurance contract.

The appointment of a new deputy chairman will be the subject of next month's Liffe board meeting. One possibility is to nominate two deputy chairmen, hence dividing up responsibilities for the equity and interest rate side.

Such a move might help placate former members of the London Traded Options Market, who had pushed for, and been denied, a managing director to take specific charge of equity options following the merger.

With the chairmanship of Liffe taking at least two days a week, Durlacher intends to continue as chairman of Barclays de Zoete Wedd Futures but to relinquish more of the day-to-day running of the firm to Graham Newell, who took up the position of chief executive last October.

Financial

■ **Gavin Farley** becomes a managing director on the European investment banking team at SALOMON BROTHERS in London. He moves from Hong Kong where he headed Salomon's Asia-Pacific activities excluding Japan.

■ **Richard Feehan** becomes senior vice president and division head of global securities sales & marketing at BANKERS TRUST; he moves from Chase Manhattan.

■ **Martin Harrison**, former md of Prolific, is appointed md UK retail marketing & sales of GT MANAGEMENT.

■ **Roland Ward**, formerly finance director and deputy chief executive of The Mortgage Corporation, has been appointed finance director of LAURENTIAN FINANCIAL GROUP.

■ **Robert Dickinson** becomes chairman of the NORTHERN ROCK BUILDING SOCIETY, Newcastle. Sir John Riddell, deputy chairman of Credit Suisse First Boston becomes deputy chairman. Lord Ridley, chairman for the last five years, remains a director.

■ **Jack Robinson** has been appointed a director of MERLIN INTERNATIONAL GREEN INVESTMENT TRUST in place of the Very Revd John Simpson who has resigned.

■ **Richard White, Julian Glicher and Anthony Wieler** have been appointed directors of ENGLISH TRUST.

■ **Philip Higgs** has been promoted to sales director of TOUCHE REMNANT INVESTMENT TRUST MANAGEMENT.

■ **The Hon Edward Adeane**, compliance officer of HAMBROS BANK, moves onto the main board.

■ **Duncan Wilson and Crispin Southgate** are mds of CHARTERHOUSE BANK

■ **Peter Rowley** joins the DARLINGTON BUILDING SOCIETY as chief executive from July 1 on the retirement of Alan Wood. He was general manager of the Newcastle Building Society.

■ **John Whalley** is appointed director of property investments at AMP ASSET MANAGEMENT.

Docklands revisited

Michael Boyce, who has been appointed chief executive of Cardiff Bay Development Corporation, could be described as the father of the whole project to redevelop the Welsh capital's decaying docklands.

His paper to the Welsh Office in 1986, written when he was deputy chief executive of South Glamorgan County Council, was the basis on which the government set up a quango to oversee the scheme – at 2,700 acres the largest redevelopment project in Britain after London's docklands.

Now, aged 54, he has just enough time to complete the job before retirement; the project, begun in 1987, was always seen as a 15-20 year scheme.

His faith in Cardiff Bay has been undiminished despite the scheme coming off the boil as the property world went into deep recession. Promoted council chief executive five years ago, he was instrumental in siting the rebuilt County Hall in the Bay, the only significant investment in the area to have reached completion.

A solicitor by training, Boyce began his local government career in Exeter, but came to South Wales 21 years ago.

Boyce, who takes up his new position at the beginning of July, refuses to acknowledge being daunted by the fate of Canary Wharf. Cardiff has "consistently had the opportunity to learn from London's mistakes" he asserts, adding that observation of other docklands regeneration schemes - such as Baltimore in Maryland - has convinced him of the "absolute need to get the infrastructure right, with public sector involvement ahead of private sector investment."

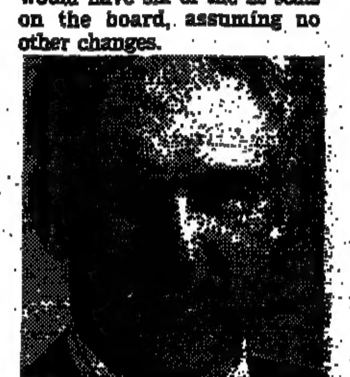
Young man's game

Paul Selway-Swift, 48, is the obvious beneficiary of last week's boardroom reshuffle at the Hongkong and Shanghai Banking Corporation (the HongkongBank). Selway-Swift, who is responsible for the group's operations in Hong Kong and China, is far and away the youngest of the three new executive directors promoted to the board of HongkongBank, the main operating subsidiary of the HSBC Holdings parent.

In addition to Selway-Swift, Tony Townsend, 57, and Richard Hale, 55, have been appointed to the board of HongkongBank. Along with Willie Purves and John Gray, chairman and deputy chairman of HSBC Holdings, the three new executive directors make up the top management team of the group's traditional business in the Asia-Pacific region.

Following last year's reorganisation, the boards of the HongkongBank and its parent HSBC Holdings, which also controls group companies outside the region, are being separated. Although they will continue to share some common directors, the intention is that the HSBC Holdings board will have a more international flavour. At present the board is dominated by local Hong Kong businessmen.

If the group succeeds in taking over Midland Bank it has promised to put Sir Peter Walters and Brian Pearse, chairman and chief executive of Midland Bank, on the HSBC board along with Richard Delbridge, Midland's finance director. Two of Midland's eight independent non-executive directors, Sir Patrick Meaney and Geoffrey Maitland Smith, have also been promised seats. If the takeover is consummated, Midland directors would have six of the 22 seats on the board, assuming no other changes.



ARTS

Television/Christopher Dunkley

No soap on 'The Bill'

The question came in April at a party to celebrate the 80th birthday of B.A. ("Freddie") Young, former arts editor of this newspaper, former theatre critic, and still our radio columnist. "Why", asked this survivor of a thousand first nights, expert on Ibsen and Molière, lover of Shakespeare and Chekhov, "don't you ever write about *The Bill*?" The answer was that there seemed no more reason why the *FT*'s television critic should devote space to a twice-weekly, half-hour, ratings-building ITV series than that our book critics should write about Barbara Cartland or the art critic review pictures of green-faced ladies from Boots. If *The Bill* why not *EastEnders* and *Home And Away*? Because, said the doyen of drama critics, *The Bill* was not a soap opera, it sustained a remarkably high standard of drama, and would repay regular attention; don't just watch a couple of episodes, try it for a month.

He was, of course, right. Six weeks of *The Bill* has proved that this is not a soap opera: it is not concerned with family life nor even, to any great extent, with the emotional turmoil of its characters. The fictional Sun Hill police station, somewhere in central London, is at the centre of the series, which is concerned solely with the work of the men and women stationed there. Soap operas are particularly good at attracting female viewers, whereas current affairs programmes tend to be watched by more men than women. It would be no great surprise if *The Bill* attracted an audience which, for half-hour serial drama, contained an unusually large proportion of men. There is an authenticity about this programme which makes you more inclined, sometimes, to compare it to *World In Action* or *This Week* than to other drama series.

Of course previous police dramas have aimed for authenticity. *Z Cars* came to the screen 30 years ago last January after writer Troy Kennedy Martin had spent his time in bed with mumps eavesdropping on police radio messages and been struck by the contrast between that reality and the cosiness of the hugely popular *Dixon Of Dock Green*. But while *Z Cars* was concerned to de-mythologise the police, and to bring to television a more honest picture of the criminal world, there was a tendency for the stories to dwell upon the social tensions in a policeman's life. Partly that is a sign of the times, but the effect was a distinct soapiness around the edges – domestic difficulties, or the effect of an illicit affair upon a policeman's conduct – which you rarely if ever find in *The Bill*.

That is not to imply, for anyone who has never seen it, that *The Bill* is some dry-as-dust police procedure series which ignores the human element. On the contrary, one of the chief interests is in seeing how characters that you grow to know react to new situations. In one of last week's episodes Detective Inspector Frank Burnside, Sun Hill's top plain-clothes man (I think) had to arrest and interview a prostitute dealing in drugs. With all the economy that the writers on this series always have to employ, since each 25-minute episode contains a whole story, it was made clear that Burnside had met Maria before. Asked by her to get out of the police car for a private word, Burnside does so and the Woman Detective Constable Viv Martella, left in the car, promptly assumes, with fury but also a lack of surprise which speaks volumes, that a deal is being done.

That is precisely what is attempted by the attractive Maria who offers both money and sex. Burnside hints that he may be open to negotiation, but commits himself to nothing. In the interview room at Sun Hill there is a frisson between them which Burnside makes no attempt to suppress. It is clear that, even though he dislikes the way she has tempted girls into carrying drugs back from Spain, he has a high regard for her intelligence and may well be sexually attracted. They speak the same language, share much expertise, and inhabit the same milieu. In the end Burnside does no deals and Maria, presumably, has to face the music.

That one little constituent of just one episode vividly illustrates the greatest strength and the greatest achievement of *The Bill*. This series does not often have the exciting action sequences of programmes such as *The Sweeney*, though when you do get a night time chase through wet city streets it is well filmed. It does not go in for the same complex interleaving of themes that we saw in *Hill Street Blues*, though there is always something other than the main plot going on. What it understands and conveys more clearly than any other police series is the fact that police and criminals share a world upon which the rest of us only occasionally impinge.

Comprehensively and dramatically *The Bill* illustrates something that becomes clear to anyone who ever does any crime reporting: that there is a peculiar affinity between police and crooks. Willy nilly they inhabit the same subculture, use the same slang, share certain assumptions, experience, and expertise. Quite often police and criminals drink in the same pubs, eat in the same cafes, and find themselves thrown together much of the time. This is not to say that there is nothing to choose between them, nor that most policemen are a bit bent. It is to say that, as with sheep and sheepdogs, the two groups, however dramatic the differences between them, share the most important parts of their lives with each other and not with the rest of us.

It is not a solemn series. In the last few weeks life has been lightened by boring Reg Hollis, Sun Hill's nerdish shop steward, or whatever they call it in the Police Federation, who is beaten 58 to 2 when someone finally challenges him for the post. One young officer goes on a course with the Area Burglary Squad and then bores everyone to tears with his new expertise. When a progressive boss tries to abolish us-and-them canteens not only does his deputy complain "But I *like* remote elitism, I don't want to share a gunged-up sauce bowl with the likes of Laxton and Hollis", but the "plods and plonks" declare that they don't want to be spied on in their own canteen, thank you very much.

What makes *The Bill* so strong is the feeling that it is very nearly a documentary. To a lifetime resident of London the actors and actresses seem remarkably like actual members of "The Met": their London accents sound like the real thing; they do not have that actorish - or actressy - glamour which even a series as good as *Hill Street Blues* failed to avoid (though female crooks in *The Bill* tend to be amazingly good looking and, as with Maria, more spotlessly chic than their real counterparts in London's streets and pubs). Above all, it is very rare in the plots of *The Bill* to find anything in black and white: everything comes in shades of grey.

Remarkably, despite, or perhaps because of, all this grimy authenticity, it is a heartening series. Showing the alcoholism and shoplifting, the Fagin-like exploitation of the young, drug taking, racism, mugging, prostitution, even two murders of young runaways in the past week (though gratifyingly no shots of the corpses) you might think it must be depressing. Not so. What it shows is that the people who work at Sun Hill, convincingly lifelike precisely because they are so obviously imperfect, can deal with all the horrors of life in a modern metropolis and still retain their humanity. If they can do so that close to the coal face, surely the rest of us can manage too.

Mr Young's eye for good drama is as accurate as ever.

Lesley Clare O'Neill as a prostitute with Trudie Goodwin as a WPC in 'The Bill'

Opera/Andrew Clark

Desdemona und ihre Schwestern

With Henze's *English Cat* and Manfred Trojahn's *Enrico* among its recent successes, the Schwetzingen Festival – based at the baroque court theatre a few miles south of Mannheim – has proved fertile ground for operatic premieres. This year brought a new chamber opera by Siegfried Matthus, east Germany's leading composer, whose *Judith* and *Cornet Rilke* have already reached other parts of Europe and America.

Despite a brilliantly executed performance, *Desdemona und ihre Schwestern* (Desdemona and her sisters) was a disappointment. Matthus's dramatic instincts, honed by a close association with the Komische Oper dating back to the Felsenstein era, for once seem to have failed him. The opera, for which Matthus as usual wrote his own libretto, is based on a novel by Christine Brückner, a cult figure of the women's movement in Germany. The text of *Desdemona* reads like a tract of militant feminist ideology. Three women – Megara from ancient Greece, Desdemona in her bridal chamber and Judy, a convicted terrorist – step out of their historical surroundings to reflect on and rant against a male-dominated society, which has made them suffer by not allowing them to express themselves.

The work is a series of "operatic monologues" (Matthus's description) for soprano, mezzo and contralto, with the two "spare" voices occasionally expressing the innermost thoughts of the third. To provide some contrast, Matthus introduces an unaccompanied quartet of male voices, who interrupt the feminist diatribe with some distinctly unfeminist extracts from the Old Testament, sung "in the kind of place where men can talk about women undisturbed".

This high-brow role-playing lasts 80 minutes; it should have been cut by a third. The work's main weakness is that it becomes excruciatingly predictable. The text allows no room for dramatic development, and the "sisters" are kept firmly in separate sound-worlds: much better to have one singer adopting a number of different mantles, as in some stage adaptations of the same novel. Nor does Matthus's brief finale ring true: the three women suddenly conclude that nothing changes, and join the men in a few juicy references to sexual interdependence from the Book of Solomon.

Some good music is wasted along the way. Matthus uses a 20-piece orchestra sparingly, with eloquent scoring for electric bass guitar, bass flute and bass clarinet. He never lapses into the affected modernisms of much avant-garde music: instrumental effects invariably come off well – the vast percussive crescendo before the finale was overwhelming – although the outburst of taped rock music in one scene was uncharacteristically cheap.

The music for male quartet is a chromatic dirge and no match for the fully-fledged choruses which are such a powerful feature of Matthus's other operas. But the three women have plenty to get their teeth into – notably a Kurt Weill-like mezzo ballad for Megara; a harp-accompanied soprano lament for Desdemona, and spectacular contralto solos for Judy, full of tottering, tension-filled rhythms.

These produced several stunning outbursts of contained fury from Yvonne Wiedstruck, a singer-actress with great potential. As Megara (mystifyingly confined to a wheelchair for half the performance), Karan Armstrong managed to look both raunchy and motherly, relishing the attractive vocal decorations in her part. Lucy Peacock's Desdemona was spunky and pretty. Nothing but praise, too, for the predictably boorish male quartet (Clemens Bieber, Uwe Peper, Peter Edelmann and Josef Becker). The opera deserved a female production team – it might actually have profited from a Berghaus point of view – but instead it was given a professional, post-modern staging by Götz Friedrich, with designs by Reinhart Zimmermann and Annette Zepperitz. Rolf Reuter conducted with admirable clarity.

The production joins the repertory of the Komische Oper in Berlin on June 27.

Yvonne Wiedstruck, Karan Armstrong and Lucy Peacock

Ballet/Clement Crisp

Romeo and Juliet

Alastair Muir

Kevin O'Hare and Nina Ananiashvili

Peter Wright has for some years hoped to present a staging of MacMillan's *Romeo and Juliet* for his section of the Royal Ballet. The move to Birmingham, which brought increased forces and stage potential, made this hope a fact, and on Monday night Birmingham Royal Ballet showed us their own *Romeo*. And perhaps because BRB is, in essence, an ensemble young in spirit as in personnel, Sir Kenneth MacMillan has chosen a young talent to decorate the production.

Last year he saw the graduate show of the Wimbledon College of Art stage design course, and was impressed by the work of Paul Andrews. So, at the age of 22, Mr Andrews found himself entrusted with a three act ballet as his first professional commission. The decision was bold, but it has produced decoration which has an enthusiasm, a freshness of eye, that accord very well with this tragedy of youthful passion performed by a youthful company.

Mr Andrews has inevitably had to accommodate the shape of his set to existing choreographic outlines. His basic structure, of a curved and tiered colonnade broken by a central stair, is handsome, and the stage space is varied – for Juliet's bedroom; for the Capulet tomb – to provide a more intimate, rectangular dance area. The decoration pays its historical dues to *quattrocento* and *cinquecento* painting and architecture in shapes and colour. It is an incidental pleasure that at moments one may recognise Mantegna or Uccello, and Mr Andrews' own sense of delight in renaissance Italy is communicated to performers and audience without undue fuss. Design is not flawless – I find Escalus' glittering gold armour altogether too bright, and the bushy page-boy wigs for Romeo and his chums help extinguish their characters – but it is a brave and stimulating view of the drama, and it is superlatively lit by Hans-Ake Sjoquist, who enhances every moment of the action.

Monday night's premiere was intended to feature the Moscow guests Nina Ananiashvili and Alexey Fadeyechev, both experienced MacMillan interpreters after their success in *Prince of the Pagodas*. Unhappily, Fadeyechev has sustained a knee injury, and Kevin O'Hare who replaced him, though conscientious in everything, could not provide all the emotional and physical rapport demanded by Ananiashvili's gifts. She is one of nature's Juliets. The role is often played in terms of innocence awakening to a first passion. With Ananiashvili there is the added fascination of seeing a ballerina "as" Juliet. The power and the savour of the interpretation lie in the reconciliation of a child's grace with the authority of the superlative classical artist. (Plisetskaya's ardent Juliet was just such a reading).

In the first act, Ananiashvili played sweetly to O'Hare's innocent Romeo, the balcony scene exquisitely done. It was in the third act – which is Juliet's alone – that she revealed her command of the role. As Romeo leaves her bedroom, she stands as if stunned, lost in dreams; sitting for an eternity on the bed, we see her draw courage from her feelings as her body becomes erect; the run to Friar Laurence has an irresistible momentum (and was superlatively lit by Mr Sjoquist); facing to her parents' anger, she bows in acquiescence, then eddies away from them (and from her plight) in an exquisite *pas de bourrée* that speaks of her innermost feelings. It is Ananiashvili's sensitivity to MacMillan's physical truths, and the refined utterance she gives them, that make this so beautiful and honest a reading, and one so grandly that of a ballerina.

Like O'Hare's Romeo, company performances are as yet mostly promising sketches. Ensembles are full of vitality, albeit certain scenes seem diffuse. The pacing and weighting of effects will come with experience, but the production already represents a major achievement by the Birmingham troupe. I salute Anita Landa's Nurse, a lovingly judged portrait, and the clean dancing by the ensemble.

From Barry Wordsworth and the Royal Ballet Sinfonia, an account of Prokofiev's score that was vivid in colour, purposeful in drama.

Romeo and Juliet continues at the Hippodrome, Birmingham, until June 6; thereafter it can be seen at the Apollo, Oxford, June 29, 30 and July 1; and then in Southampton and Bristol.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Beurs van Berlage 20.15 Lev Markiz conducts the Netherlands Chamber Orchestra in works by Lekeu, Mozart and Weber, repeated tomorrow (6270 466). Tomorrow in Concertgebouw: John Eliot Gardiner conducts Cosi fan tutte (6718 345)
Muziektheater 20.15 Nederlands Dans Theater in Hans van Manen programme, also Fri and Sun. Tomorrow and Sat: Don Giovanni (6255 455)

ATHENS

Concert Hall 20.30 World premiere of George Kouroupos' new chamber opera Pylades. Repeated on Fri and Sat (722 5511)

BONN

Dennis Russell Davies conducts first night of Jean-Claude Riber's new production of Die Walküre on Sunday, with a cast including Eva Marton, Paul Frey and Simon Estes (also June 10, 14, 23, 26, 30). Tonight's performance at the Oper is Youri Vamos' ballet Vathek, music by Shostakovich. Mon: Ronald Hynd's ballet Rosalinde, music by Johann Strauss. Tonight and Sat in Werkstattbühne: Wolfgang Rihm's chamber opera Jakob Lenz (773687)

BRUSSELS

Palais des Beaux Arts 20.00 Lorin Maazel conducts Pittsburgh Symphony Orchestra in Mahler's Sixth Symphony (507 8200)

DRESDEN

DESIDEN FESTIVAL

The final week of the festival includes a new production of Una Cosa rara, an opera by Martin y Soler, Spanish contemporary of Mozart (tonight and tomorrow at the Schauspielhaus); a production from Poznan of La forza del destino (tomorrow and Fri at the Semperoper) and three Bruckner concerts conducted by Giuseppe Sinopoli (Sat, Sun, Mon).

Grace Bumbry gives a song recital on Sun morning. Marek Janowski conducts the Orchestre Philharmonique de Radio France in a Brahms and Chausson programme on Fri in the Kulturpalast (4866 283)

LONDON

Covent Garden 19.30 La bohème with Gillian Webster and Roberto Alagna, also Fri. Tomorrow: I Puritani (071-240 1066)
Coliseum 19.30 Mark Elder conducts a revival of David Pountney's production of Falstaff, with Benjamin Luxon, Susan Bullock and Alison Hagley, also Sat. Tomorrow: Monteverdi's Ulysses (071-836 3161)
Royal Festival Hall 19.30 Libor Pesek conducts Royal Philharmonic Orchestra and Royal Choral Society in Dvořák's Stabat Mater. Tomorrow: Semyon Bychkov conducts the Philharmonia (071-928 8800)
Queen Elizabeth Hall 19.45 René Jacobs conducts the Orchestra of the Age of Enlightenment and Choir in Bach cantatas, with soloists including Lynne Dawson and Rogers Covey-Crump (071-928 8800)

NEW YORK

THEATRE

● Salome/Chinese Coffee: Al Pacino stars in two shows running in repertory. The first is a production of the Oscar Wilde work, the second a contemporary play by Ira Lewis. Currently in previews (Circle in the Square, 50th West of Broadway, 239 6200).
● Jelly's Last Jam: George C Wolfe's show celebrates the music of the jazz pioneer Jelly Roll Morton and paints an unvarnished portrait of the artist's life and personality (Virginia, 245 West 52nd St, 239 6200).
● Jake's Women: Alan Alda at his genial best in the new Neil Simon play about an ageing writer coming to terms with the women in his life, past and present (Neil Simon, 250 West 52nd St, 307 4100).
● The Extra Man: a new play by Richard Greenberg (Manhattan Theatre Club, at City Center, 131 West 55th St, 581 7907).
● Best of Forbidden Broadway: tenth anniversary edition of Gerard Alessandrini's musical revue, with old favourites mixed with new material (Theatre East, 211 East 60th St, 838 9090).
● Ticketmaster answers inquiries and sells tickets for Broadway shows (307 4100) and rock/pop concerts (307 7171)

PARIS

Châtelet 19.30 Daniel Barenboim conducts first night of Patrice Chéreau's new production of Wozzeck. The cast includes Franz Grundheber, Waltraud Meier and Graham Clark. Runs till June 15, next performances on Fri and Mon (4028 2840)

Opéra Bastille 20.30 Martinu Quartet plays three string quartets by Haydn. Tomorrow: José Carreras (4001 1616)

Opéra Comique 19.30 Johann Strauss' operetta Wiener Blut, also tomorrow. A festival of Rossini one-act comic operas runs from June 14 to July 12 (4286 8883), and coincides with performances of Il barbiere di Siviglia at the Palais Garnier opening on June 11 (4001 1616)

Théâtre de la Ville 20.30 Cullberg Ballet in two Mats Ek choreographies, daily till Sat (4274 2277)

● For a 24-hour recorded telephone guide in English to Paris entertainments dial 4720 8898

ROME

Teatro Valle 20.30 La Cenerentola. Tomorrow and Sat in Teatro dell'Opera: La fille du regiment. Sun: world premiere of Gilgamesh, a new opera by Franco Battiato (488 3641)

STOCKHOLM

● This week's performances at Drottningholm are devoted to a production by the Bavarian Chamber Opera of Der Handwerker als Edelmann by the 18th century German composer Johann Adolf Hasse. Starting next Thursday, there are five performances of Salieri's Falstaff.

The festival then breaks for two weeks until the beginning of July, when Arnold Ostman conducts two concerts. A new production of Gluck's Orfeo opens on July 18 (660 8281)

● Esa Pekka Salonen conducts the Swedish Radio Symphony Orchestra in works by Prokofiev, Stravinsky and Weill on Fri and Sat at Berwaldhallen. This month's programme also includes two Brahms concerts conducted by Carlo Maria Giulini (June 12 and 13) and a centenary tribute to the Swedish composer Hilding Rosenberg (June 18). Walter Weller conducts a Schumann, Lidholm and Shostakovich programme on June 30 (784 1800)

VIENNA

Staatsoper 18.00 Vladimir Fedosseyev conducts Boris Godunov, with Ruggero Raimondi, also June 6, 10, 14. Tomorrow: Il barbiere di Siviglia (51444 2960)
Theater an der Wien 19.30 Vienna festival production of Bruno Maderna's chamber opera Hyperion, also tomorrow (586 1676)
Konzerthaus 19.30 Okko Kamu conducts Helsinki Philharmonic Orchestra in works by Rakhmaninov, Shostakovich and Sibelius. Tomorrow's programme includes works by Sallinen and Mahler (712 1211)
Musikverein 19.30 Christian Altenburger, accompanied by Bruno Canino, plays violin sonatas by Ives, Beethoven and Janacek. Tomorrow: Vienna String Quartet (505 8190)
● An exhibition marking the 50th anniversary of the death of the Viennese composer and conductor Alexander von Zemlinsky is at the Musikverein until June 21. This month's musical tributes to Zemlinsky include a new production of two one-act operas at the Volksoper (June 21), a performance of his early B major symphony conducted by Vladimir Ashkenazy (next Tues) and a recital of songs by Josef Protschka on Sun and Mon. The Musikverein also has an exhibition of photos showing the Vienna Philharmonic at work, to mark the orchestra's 150 anniversary.

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(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Wednesday June 3 1992

Cajoling the former Soviets

NO NEWS is bad news in the former Soviet Union. The lull in the storms of the past year does not mean reforms are going well: it means they are running into great difficulties, where they are still running at all.

Internal conflicts are the visible part. Russia and Ukraine dispute ownership of Crimea with increasing bitterness: foreign leaders who listen to the cases of both liken their rhetoric to that passing between Slovenia and Serbia before the blood began to flow. It remains hard to imagine a war between them, but easier to imagine lower-level fights.

Baltic-Russian relations are no healthier. Talks between these three states and Russia on the pulling out of Russian troops have gone badly: the Baltic states insist on rapid removal, but Russia says that it does not intend to complete withdrawal until 1999.

Economic links between the republics and their enterprises continue to weaken. This is partly due to a breakdown of the distribution and planning mechanisms, which affects everyone: but it is also due to blockades, embargoes and barriers deliberately erected by one state against others. This short-term safeguarding of assets hurts everyone, and slows reform.

Or it would, if reform were happening. Only Russia and the Baltics have a programme of economic reform – although Kazakhstan is trying to adopt a far eastern model of a guided market economy. Russia's reform overshadows all others, because of its size and its resources: here, there are distinct signs of faltering. On a range of reforms – energy prices, privatisation, rouble convertibility – the government has either delayed, or had delay forced upon it by parliament or president.

Malign twist

The resignation on Monday of Mr Georgy Matiukhin, the chairman of the Russian Central Bank, and his forecast yesterday that credit would now explode, adds a malign twist. Mr Matiukhin was not an ideal chairman – but he appears to have been forced out because of the right things he was doing, not the wrong ones.

Yet Russia is ahead of most. Ukraine, the next largest state, is still at the stage of talking. Some are not even that far. The composite picture is of states struggling to come to terms with the collapse of the union – and doing so, in many cases, by setting nationalist agendas above economic ones.

At the same time, most of them appeal for aid from abroad: many of them criticise the major foreign countries for tardiness in providing the aid; and all say that they are getting tired of answering questions put to them by experts and officials – for no apparent return. Mr Yeltsin, meeting Mr Jacques Delors, the European Community president, at the weekend, told him that "the people's patience has its limits".

Convincing conditions

Mr Yeltsin should be told that foreign countries also have their limits, even if they recognise that it will be hard for them to set convincing conditions. As they gear up for the Group of Seven summit in Munich next month, they do realise that, for states that have had 70 years of communism and centuries of autocracy before that, reform is not a matter of a short sharp shock. Shocks there will be, but they will take years.

Nevertheless, lines must be drawn. Assistance depends on the ability of the former Soviet states to help themselves – in the first instance by reducing the levels of hostility and tension between them; by observing the human rights and border agreements they have signed within the context of the Helsinki Process; and by keeping up the pace of economic reform, even if the latter is necessarily flexible in the face of popular discontent. Without privatisation and a credible commitment to monetary and fiscal control, substantial levels of western assistance would offer little more than complicity in disaster. Western investment would, in any case, not be forthcoming.

The case for western assistance to Mr Yeltsin's government, in particular, has to be more than that it is not Mr Gorbachev's. It is rather that it will not act like Mr Gorbachev's. Thus the mooted return of Mr Gorbachev's central banker would be a disturbing sign. The states of the west should reconfirm their desire to pay part of the bill for reform; but also that it is reform they will pay for, not its simulacrum.

A long road to Whitehall reform

MR JOHN Major's government should be judged by its success in raising the quality of public services to the highest possible standard, according to Mr William Waldegrave, the newly-appointed minister of public service. In a speech on Monday, he reaffirmed the government's commitment to the Citizen's Charter, Mr Major's programme for making public services more responsive to their customers. And he promised radical steps to modernise further the civil service, which continues to play a significant role in the provision of public services.

This renewed priority for civil service reform is both welcome and necessary. Welcome because the government has often seemed less concerned with efficiency in the civil service than in local government and the health service which are not under its direct control. Necessary because changing the culture of the civil service requires permanent revolution to overcome the inertia inherent in an organisation of such a scale.

Much has already been achieved, though the effects can often take years to be felt. The *Financial Management* Initiative, for example, was launched in 1982 to delegate control of departmental budgets to line managers who were given responsibility for cost centres. Its progress was judged disappointing at the time, but the initiative planted the seeds of an idea which has begun to flower. Departments have now developed internal trading accounts to allocate costs and allow more rigorous financial management.

One consequence of this improvement in internal accounting has been a renewed wave of civil service relocation away from central London. Departments have – often for the first time – become strikingly aware of the real costs of their establishments in London and acted accordingly.

Competitive tendering

A second consequence is the greater transparency of costs which now makes possible the extension of contracting-out to central government departments. This move is long overdue – even Labour council leaders such as Newcastle's Mr Jeremy Beecham now affirm the virtues of compulsory competitive tendering in local government. Mr Waldegrave must show that the government means business on contracting-out with early tendering for a substantial slice of civil service tasks.

The creation of executive agencies to deliver government services such as benefits payments and vehicle licensing has also been slow to realise its potential. More than 70 agencies have been set up, employing over half of all civil servants. This has broken the civil service into more manageable units organised around discrete tasks and headed by an accountable chief executive.

Greater efficiency

But there has been too little progress in exploiting the scope for greater efficiency which is now possible. For example, a report last year by Sir Angus Fraser, then efficiency adviser to the government, criticised excessive interference in agencies by departments and the Treasury. He recommended cuts of at least 25 per cent in the Whitehall staff overseeing agencies – no doubt one reason why the report appears to have been buried.

And only one agency, Her Majesty's Stationery Office, has broken away from nationally determined civil service pay and grading. The pay of property valuers in Liverpool and vehicle testers in Leeds are determined by annual negotiations in London. Mr Waldegrave last week urged agency chiefs to make more local pay deals – rightly, since it is clearly more cost-effective for pay to reflect the labour markets in which agencies operate.

Finally, the Citizen's Charter will need much more muscle if consumers are to be given real power to demand better public services and to enforce standards. Some charters have offered more impressive performance targets than others. And the remedies for disgruntled consumers are often far from the simple and effective means of redress promised by the prime minister.

Mr Waldegrave has, therefore, much to do to achieve his aim of standards of excellence in public services equal to those of the best private companies. He will need to turn a sceptical ear towards some of the reservations so skilfully expressed in Whitehall.

Legal action over patent disputes threatens to stifle investment in biotechnology, write **Clive Cookson and Julie Clayton**

Of mice, men and money

The patent system, designed to nurture innovation, is in danger of strangling the world's biotechnology companies just as they are set to emerge from a long gestation period and grow into a multi-billion dollar global industry.

While scientists discover new genes and create novel forms of life, rivalry is intensifying over who should "own" and profit from their achievements.

The explosive growth of biotechnology, combined with the multifaceted nature of its new products, means that each one encompasses several recent inventions. This makes it increasingly difficult to assess patent claims in time to prevent conflict. And most biotech managers come from the patent-dominated pharmaceutical business, so their instinct is to fight tenaciously for any possible claims. As a result, biotechnology devotes proportionally more time and money to patent protection than any other industry.

To give one example, Celltech of the UK spends £600,000 a year on filing and maintaining patents – compared with £10m on research and development, the company's main activity. Total worldwide spending on biotechnology patents probably exceeds $100m (£55.5m) a year.

At the same time, biotech patenting is raising a cloud of difficult social and ethical issues, especially in Europe. Should anyone "own" a piece of natural genetic material? A new type of animal? Part of the human body?

This month the European Patent Office in Munich formally granted its first patent for a transgenic animal, Harvard University's "oncomouse". The animal, designed for cancer research, is genetically engineered to develop tumours under certain conditions.

The patent office justified the decision on the grounds that the fight against cancer was "of paramount importance for the welfare of mankind"; this outweighed the possible suffering of the mice. But opponents of the decision plan to contest the patent and Dr Paul Braendli, European Patent Office president, believes the case will not be resolved for some years.

At the same time the European Commission and European Parliament are battling over a draft directive that will lay down the future rules for biotechnology patents in the EC. They are being lobbied from one side by Patent Concern, a coalition of environmental, development and animal welfare groups, which is calling for a moratorium on patenting any form of life. On the other side, the industry is pressing for clear guidelines that will enable it to patent genetically engineered animals and plants.

Tomorrow the issue reaches the annual meeting of UK Women's Institutes, which will debate a resolution calling for the EC draft directive to be rejected.

Patent paranoia in the biotech industry has been heightened further by the US National Institutes of Health, which recently filed almost 3,000 patent applications for fragments of human genes, without knowing what they do in the body. The NIH action – taken with the approval of the US government – has been condemned by scientists worldwide. They say patents should be reserved for individual genes the uses of which are specified.

The UK Medical Research Council joined in the chorus of criticism – and then said it would reluctantly follow the example of its US counterpart, to protect the UK position. So the MRC is preparing to file patents for almost 2,000 gene fragments of its own.

The biotechnology industry is praying that the US Patent Office will throw out the NIH and MRC applications because they fail the "utility" test. But the US is so liberal in its interpretation of what makes a valid patent that it would be unwise to count on the claims being rejected.

Dr David Owen, the MRC's industrial collaboration director, believes the attempt to patent gene fragments highlights a wider crisis over intellectual property. "What concerns me is that we are moving into a world where more and more marginal inventions are being patented. That devalues the currency of patents – to the point where the patent system might become a disincentive, an obstacle to progress."

Companies wishing to sell new gene-based drugs have to negotiate with an increasing number of other companies and research institutions. Each lays claim to a piece of the intellectual property involved in the development. A typical product launched in the mid-1990s could require royalty payments to as many as a dozen licensees.

The chain would start with the master patent for recombinant DNA technology, the technique underlying all genetic engineering, which earned $17m in royalties for Stanford University and the University of California last year. It might also encompass broad patents for other "enabling technologies" and very narrow patents for specific genes.

Each royalty claim might seem reasonable in isolation, says Dr Owen, "but taken together they can destroy a business opportunity".

A severe backlog in the number of applications waiting to be processed is adding to the confusion. In 1990, for example, 8,200 biotech applications remained unexamined at the US Patent Office. Claims often overlap with each other and they contain increasingly complex details. Most biotechnology patents take three to five years to process – longer than any other type.

Companies suffer because they have to start marketing before patent disputes are settled. Genetics Institute (GI), for example, faces heavy losses to Amgen over the right to make and sell a blood-boosting drug called erythropoietin (EPO).

The two companies developed different versions of EPO and applied for patents. Both made licensing and marketing arrangements and their patents were awarded in 1987. While Amgen received Food and Drug Administration approval to use EPO to treat anaemia in 1989, GI is still waiting to hear. And in April 1991 Amgen successfully persuaded the US Court of Appeals that GI was guilty of patent infringement and should be barred from the US market.

Amgen is now seeking more than $11m in damages. To rub salt into GI's wound, EPO is now the world's best selling biotech product, having earned Amgen an estimated $800m in 1990 alone.

A potent illustration of the nightmare facing the industry is conflict over a powerful new technique for detecting genetic mutations, called the ligase chain reaction. LCR promises to be an accurate, automated clinical test for genetic diseases and cancer.

The first LCR-related patent was awarded in 1989 to Applied Biosystems Inc. ABI will be targeting prenatal diagnosis and carrier screening, but it faces tough opposition.

Abbott Laboratories and its sister company, Omnigene, have "numerous pending applications" for their own versions of LCR. They are planning a unified assault on a range of problems in clinical diagnostics, agriculture, food and the environment, according to Dr Keith Backman, senior scientist at Omnigene. "There's a lot of hoopla out there. Some of these people are going to be very disappointed," he warns.

Several other rivals have filed patent claims for LCR, including Beckman Research Institute, Salk Institute and California Institute of Technology.

Some contenders are more optimistic than others that disaster can be averted by arbitration. "I'm sure we'll all figure out in the end how to get along," says Mr Joseph Smith, patent counsel for ABI. "My guess is that this field is big enough for lots of people."

Most recently, Cornell University entered the arena with a "multiplicity of claims" for the work of Dr Francis Barany, associate professor of microbiology. Last year he discovered the information needed to mass-produce an essential component of LCR, a protein called ligase.

"The whole patenting process hurts industry and creates uncertainty. It makes it difficult to make marketing plans," says Mr Walter Haussler, Cornell's lawyer. "As if in a game of poker, the question is: who will be left holding the cards at the end of the game?"

In case Cornell fails to win a full hand, the university negotiated product licences with two companies which specify that ligase be sold "for research purposes only, not commercial diagnosis". Then, as the remaining responsibility for LCR diagnostic kits seemed too hot to handle, Cornell passed "the whole ball of wax" to ABI as an exclusive licensing agreement.

The growing patent jungle in the US "is definitely acting as a disincentive to proper investment in biotechnology by European companies", says Mr John Savin of the Centre for Exploitation of Science and Technology in London, who is studying the commercialisation of gene research for a group of European companies. "US companies tend to use patents as part of the game – they invest first and sort it out later."

US biotechnology companies raised more than $1bn in public share offerings last year. That was largely on the strength of their patented research, since very few of the companies have products on the market. With so much money behind them – and investor expectations so high – individual companies are bound to defend their own patents ferociously, even if their collective action is self-defeating for the industry as a whole.

"Patents are central to the future of the company," says Dr Peter Fellner, Celltech chief executive. "I don't think people in our industry will voluntarily self-regulate their patenting activity. But litigation and licensing deals will eventually lead to a framework dictated by precedents in the courts."

Governments can help, by smoothing out international discrepancies in the way patents are treated. Under the US system, the patent goes to whoever can prove he or she first made the invention. This is more prone to litigation than the clear-cut principle followed elsewhere: that the patent goes to the person who files for it first.

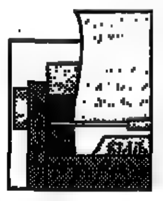
Now US patent officials say they would be prepared to move from "first to invent" to "first to file", as part of an international patent treaty. In exchange Europe and Japan would give inventors a "grace period" during which they could discuss their inventions without losing all patent rights.

But if the biotechnology industry is really to blossom into a $50bn-a-year industry by the next century, as its backers expect, it will have to sort out its own patent problems. Negotiation and compromise must replace aggressive litigation.

PERSONAL VIEW

In a muddle on training

By John Cassels



Education and training for 16- to 18-year-olds is in a mess. Everybody is agreed – the Confederation of British Industry, the Trades Union Congress and government included – that all young people should continue formal learning until at least 18, but that remains a remote target.

A recently published briefing for the National Commission on Education by Mr David Raffe shows that in 1990 only 37 per cent of 16- to 18-year-olds in the UK were in full-time education. Of the remaining 63 per cent only 15 per cent were in Youth Training and the rest – almost half – were in an "others" category, with only a minority receiving any part-time education.

We lag badly behind other countries in the Organisation for Economic Co-operation and Development. Mr Raffe says that the UK had the lowest full-time participation rate among 16- to 18-year-olds in 1986: its rate was then 33 per cent, half the average for the other 12 OECD countries. If part-time provision is included, our rate at 64 per cent was much closer to the average for the other 12 of 75 per cent; but given the uncertain quality of our part-time provision, we can take little comfort from that.

Our poor performance is sometimes held to show that we have a cultural block that prevents us doing better, or that employers, who are supposed to be responsible for training, are incurably short-sighted. In fact our real ailment seems to be muddle-headedness. We do not make it easy for people to behave sensibly. Clear our heads a bit, and things could improve.

Four areas need attention:

- **Responsibility.** There is a conflict between the interests of employers, which are bound to be fairly short-term, and the needs of young people, which stretch more than 40 years ahead. It is reasonable to expect employers to provide training related to the job; but further education is also needed, and should be provided by colleges or other providers at public expense – as in full-time education.
- **Costs.** Making it clear that it is not the employer's responsibility to provide further education makes it easier to return to the financial basis of all successful apprentice systems: that the net cost to an employer of each apprentice is broadly neutral. The cost of pay plus the cost of training is balanced by the value of the apprentice's output. If you achieve that, there need be no limit to employers' willingness to provide training places.
- **Incentives.** Why should young people be prepared to train for qualifications if employers do not show that they value them? Pay structures must be overhauled, first to reduce the pay of trainees in recognition of the costs that employers incur in training them, of their absence one day a week or more at college and of their comparatively low output, and second to increase the pay of employees who have acquired relevant qualifications.
- **Traineeships.** Experience shows that there need to be formal "traineeships" signed by employer and trainee (and perhaps a parent); they must be seen to lead to recognised qualifications, now made possible by the NVQs introduced by the National Council for Vocational Qualifications; and there must be proper inspection to establish and maintain standards.

Get these things right and the upshot should be traineeships of good quality for all 16- and 17-year-olds entering the labour market. Young people will get a lasting benefit; employers should be delighted, so too should the trade unions. And the government should be pleased because youth unemployment will dwindle – a result achieved at much less expense to the taxpayer than the current arrangements, which do not work.

But there are a couple of snags. One is that employers often attract 16- and 17-year-olds into jobs with no training but quite high pay. That is one reason that the UK's staying-on rate in full-time education is so low. We probably need legislation obliging any employer who wants to employ a 16- or 17-year-old in a regular full-time job to provide him or her with a traineeship.

The other snag is that the pay of most young people in work is based on the presumption that they are fully productive workers – not surprisingly, since that has been the reality in most cases – and not trainees. For a trainee, the example of German apprentices suggests that a starting at 30 per cent of the adult rate would be about right. But it would not be easy for any individual employer to move to that level of pay on his own initiative. Either there needs to be a concerted movement by leading employers or, if that proves impossible to arrange, legislation needs to step in here too, providing for a statutory body to determine the wages of young people in traineeships.

Negotiating these snags may seem tricky, even formidable, but the stakes are high. Do nothing and we are set for continuing failure, whereas the prize for success is immensely valuable.

The author is director, National Commission on Education. He writes here in a personal capacity.

Edward Mortimer

How to pay for eco-virtue

FOREIGN AFFAIRS

Freer trade would help to finance the agenda of the Earth Summit, which opens today

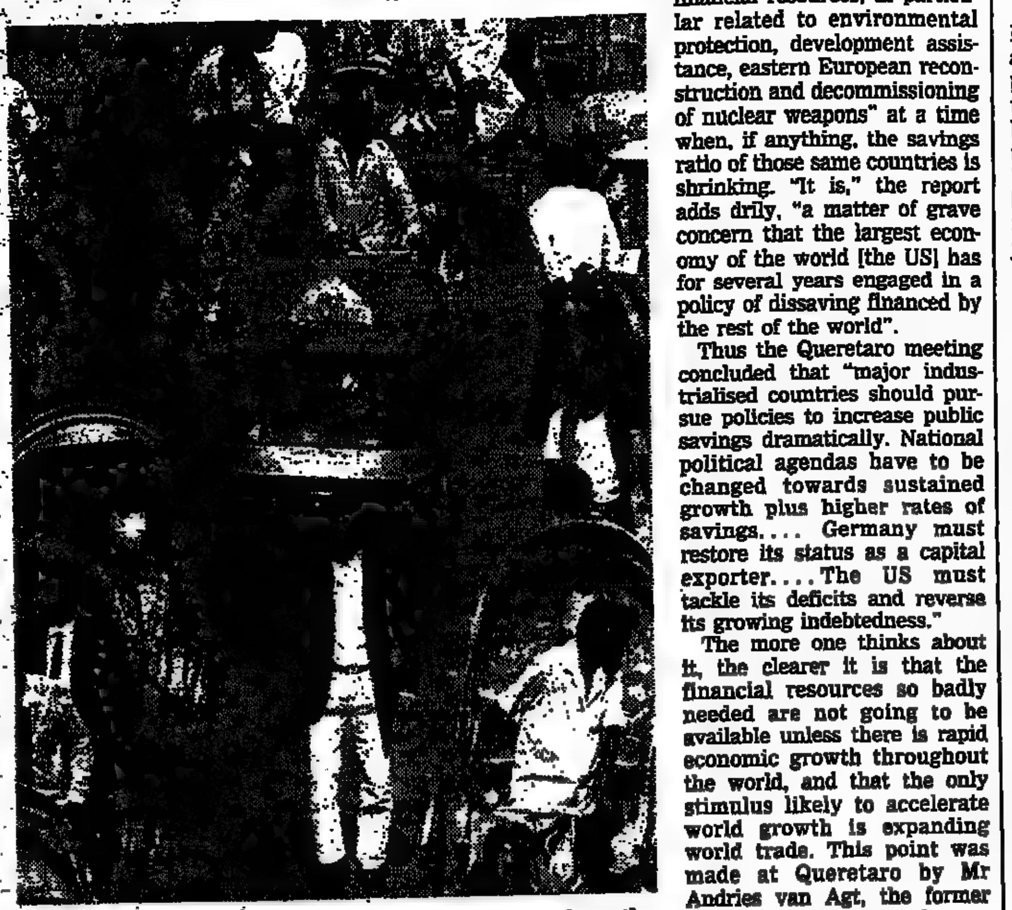
Seldom can a meeting have been so long or intensively prepared as the United Nations Conference on Environment and Development, alias the Earth Summit, alias Eco 92, which opens today in Rio de Janeiro. Seldom can any conference have been set so momentous a task. And seldom can expectations have been so bleakly and ruthlessly lowered. One could almost say that, since everyone now expects to be disappointed, no-one will be.

Mr George Bush, "the environment president", has no doubt done most to lower expectations by negotiating the draft treaty on global warming down to meaninglessness, and by serving notice that he will not sign the one on biodiversity, which he considers "seriously flawed".

Yet, in a different way, those with a genuine interest in a successful outcome have also played their part. Environmental groups have done their best to make the public aware of the enormous gap between what they believe needs to be done to "save the planet" and what is likely to be agreed. Similarly, developing countries have tried to keep the focus on the gap between the dire needs of their populations and the meagre level of assistance that industrialised countries are likely to offer.

Some developing countries, it seems, have also conspired with the Vatican to prevent the population issue from being given the central place on the agenda which both environmentalists and many development economists believe it should have.

This point has attracted the special wrath of Mr Helmut Schmidt, the former German chancellor. Last week in Queretaro, Mexico, I heard him deliver a veritable philippic on the subject. The preparatory material for Rio, he said, "pretends there could be sustainable development and environmental preservation without limitations of the population explosion", thereby making a mockery of the whole concept of sustainability. At the same time, the industrial countries, led by the US, were refusing to commit themselves to limit carbon dioxide and other greenhouse gas emissions "in concrete figures of a clearly defined period and in a mandatory language", while the draft document "Agenda 21" suggested "unrealistic levels of financial resources to implement various environment programmes". The effect would be to turn the conference "into a bargaining exercise between two partners who were sitting in the same sinking boat, and threatening each other to open up the leaks on their respective side of the boat even more widely if the other does not start to shut the leaks on his side first".



'The overarching population issue has not been given the place it deserves on the Rio summit agenda'

Mr Schmidt's audience included a galaxy of other former heads of state or government from all parts of the world. These people form a select club called the InterAction Council, under Mr Schmidt's chairmanship, which seeks to distill their collective elder statesmanly wisdom for the benefit of their successors and the world at large.

Inevitably, much of last week's discussion focused on the Rio agenda. Not surprisingly, Mr Schmidt failed to enlist his Latin American colleagues in an all-out attack on the Vatican. Nor were there many takers for his proposal that official development aid (ODA) should be "made conditional on dependable family planning programmes". This was partly because it seemed impossible to draw up clear criteria, but more fundamentally because many people felt the issue had a chicken-and-egg quality: while population growth is undoubtedly holding back economic development in many countries, lack of economic development is probably the single most important factor keeping birthrates high.

A successful Uruguay Round conclusion would unleash $200bn in annual world income

Mr Schmidt did get his colleagues to agree to a final statement which deplores that "the overarching population issue is not given the place it deserves on the summit agenda", and states bluntly that "each developing country must:

- ensure access to birth control, education and services and to voluntary methods of contraception;
- extend education of all young people to the age of 14-16;
- place greater emphasis on women's rights and their employment opportunities and improve basic health care services."

And, switching the aid conditionality into a positive mode, it adds that "where developing countries give priority to family planning within their own budgetary resources, the industrialised countries for their part should provide substantial additional assistance".

But where is additional assistance going to come from? That question hangs not only over the population problem but over the entire Rio agenda. The Queretaro meeting had before it the report of a "high-level group", also chaired by Mr Schmidt, which pointed out that industrialised countries face "substantial new claims for enormous financial resources, in particular related to environmental protection, development assistance, eastern European reconstruction and decommissioning of nuclear weapons" at a time when, if anything, the savings ratio of those same countries is shrinking. "It is," the report adds drily, "a matter of grave concern that the largest economy of the world [the US] has for several years engaged in a policy of dissaving financed by the rest of the world".

Thus the Queretaro meeting concluded that "major industrialised countries should pursue policies to increase public savings dramatically. National political agendas have to be changed towards sustained growth plus higher rates of savings.... Germany must restore its status as a capital exporter.... The US must tackle its deficits and reverse its growing indebtedness."

The more one thinks about it, the clearer it is that the financial resources so badly needed are not going to be available unless there is rapid economic growth throughout the world, and that the only stimulus likely to accelerate world growth is expanding world trade. This point was made at Queretaro by Mr Andries van Agt, the former Dutch prime minister who represents the EC in Washington.

He quoted a report recently published by the OECD Development Centre according to which a successful conclusion of the Uruguay Round would unleash some $200bn in annual world income, of which some $90bn would accrue to developing and former communist countries. "Whereas," he added, "dismantling *all* trade barriers would raise world income by close to $500bn annually – about half the income of the less developed economies or, in other words, the income of 3bn people."

The trouble is that things are moving in the opposite direction. Twenty out of the 24 OECD countries, we were told, have become more protectionist in the last five to 10 years – including notably the US and the EC. And Mr van Agt, fresh from the latest round of EC-US negotiations, said the Uruguay Round "is still in danger of collapsing".

None of these thoughts is exactly new, and the political difficulties of acting on them remain as formidable as ever. But it is boringly true that the fate of the world's ecology, and of the 1bn people who already live in absolute poverty, depend more on industrial countries dismantling trade barriers and stimulating savings than they do on any of the specific decisions they are being asked to take in Rio.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Protection of database copyright

From Prof Charles Oppenheim.

Sir, Celia Hampton (Business Law, May 28) has constructed an argument against the European Community's draft directive on database copyright based on a misapprehension of the nature of electronic databases. She claims that databases "normally include all the information on a given subject". That is true for only a small minority of databases – such as telephone numbers and share prices, which she cites as examples. The vast majority of databases involve value added by the database producer, which either codes and indexes, produces brief abstracts, or selects from the mass of information only those items of relevance.

These are the features which make electronic databases valuable to clients. For the vast majority of databases, therefore, there has indeed been intellectual effort in their selection and arrangement, and therefore under the proposed EC directive they will be subject to copyright protection.

It may well be that the proposed directive poses potential harm to BT's copyright on telephone directories; but for the majority of the electronic information industry the proposals regarding copyright are non-contentious. What is contentious is the proposal for compulsory licensing, an issue which Celia Hampton surprisingly did not address.

Charles Oppenheim,
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Department of Information Science,
Livingstone Tower,
26 Richmond Street, Glasgow

Security comes with a lower income

From Mr Stephen Hugh-Jones.

Sir, I have received from Barings and the TI Group an offer document for my Dowty shares.

It promises me, in large type, "greater security of income". Not until an obscure small-type appendix, 29 pages later, does it reveal that my dividend income will fall by 40 per cent.

I have the experience to spot this, and to judge whether the offer – in my particular circumstances – may, even so, be a good one. How many Aunt Agathas do?

Why does the financial industry accept standards of behaviour that many people would regard as acceptable from a second-hand car dealer?

Stephen Hugh-Jones,
97 Abbey House,
Garden Road,
London NW8

Debt owed to Troubleshooter

From Mr Brian Warnes.

Sir, It was perhaps inevitable that a post-mortem would be done on the Troubleshooter companies (Management: "Toil and trouble", June 1); and equally inevitable, so-and-so's law being what it is, that it should coincide with the nadir of the recession.

However, in the original programme there *was* something missing from Sir John Harvey-Jones's otherwise excellent dissections of the companies concerned, which left one with an uneasy feeling that, while, for instance, the "human" side was marvellously covered, hard, intuitive gut-feel for the all-important financial aspects of running a business was less in evidence. Which is perhaps why the outcome, two years later, is what it is.

If Sir John's prime aim was to make business, in the common perception, generally more acceptable then he succeeded beyond all expectations; the programmes are still being talked about and a considerable debt of gratitude is due to him on that account alone.

Brian Warnes,
Business Dynamics,
13 Blackheath Village,
London SE3 9LA

Actuarial view of the long term

From Mr Mark Lloyd.

Sir, Actuaries must take an extremely long-term view of the future (Lex: "Pensions", June 1) when making projections of pension fund liabilities – eg, the final payments made in respect of a 30-year-old employee may be more than 60 years hence. However, they will be influenced by the views of clients – trustees and sponsors of the pensions schemes.

It is the actuary's responsibility to explain why he or she proposes to use a certain set of actuarial assumptions about the future, and also to allow for the client to have input on these assumptions. The client's views are likely to be shorter term, but if the actuary, in his judgment, finds them acceptable then he will adjust his assumptions – provided that the client is made aware of the implications of those changes.

A current example of this is the implications of the exchange rate mechanism and the consequences for future inflation/interest rates – to what extent should the actuary take this into account given the short-term nature of political policies?

Mark Lloyd,
Gissings,
Finsbury House,
23 Finsbury Circus,
London EC2M 7AL

Case not made about need for urgent action on CO2 emissions

From Mr Peter Samuel.

Sir, Preposterous is the only word for the column by Carlo Ripa di Meana, the EC's environment commissioner (Personal View: "Why Rio must deliver", May 26).

Far from being "intransigent" the Bush administration went much too far – in the view of many here – in seeking compromise with environmental extremists.

The EC "green chief" has not made the case that the welfare and survival of the planet requires urgent action to constrain CO_2 emissions according to the diktat of an international plan.

The consensus among coolheads is that a catastrophic global warming from increasing greenhouse gas concentrations, while remotely possible, is highly unlikely. The models of future climate do not yet explain the actual climatic record of the past century properly, so their predictions of a future 3 deg C increase in global temperatures over the next century need to be taken with a large dose of salt.

Clouds and other feed-back mechanisms may be offsetting much of the theoretically calculated warming effect of increasing greenhouse gases. Some of the warming this century – only about 0.5 deg C – may indeed be the result of an increase in the intensity of the sun, rather than of a greenhouse gas effect. Moreover, more CO_2 and a warmer global climate might not be bad for the world, let alone a threat to "the survival of the planet", to quote the EC commissioner's absurdly apocalyptic language.

Plant growth would be enhanced by both. Rainfall would be increased. Of course there would be problems in coping with change, but according to a US National Academy of Sciences panel on global warming the world can successfully adapt to prospective climate change.

By contrast, the heavy controls di Meana proposes on CO_2 emissions would put immediate arbitrary ceilings on electricity generation, heavy industry and myriad other fossil fuel based activities. The costs of goods and services foregone in the effort to stave off global warming would almost certainly outweigh the possible distant costs of adapting to somewhat higher temperatures worldwide – if they eventuate, which is uncertain.

Even before the climate change treaty is signed at Rio, the European commissioner is demanding new pressure on the US. His are the words of a silly zealot demanding mindless actions. We need more science, less zeal.

Peter Samuel,
editor,
Greentrack News Service,
Washington DC, US

OBSERVER

Food for thought

■ Take 16 large egos, two legal eagles, a few bottles of good Beaujolais, and the resulting debate should be interesting, especially when the subject is whether nasty restaurant critics can be taken to the cleaners.

Last month's £15,000 damages ruling against the Irish Times and its restaurant reviewer for maligning the output of a local restaurant, has certainly set some journalistic tummies rumbling.

Yesterday, the owners of the Soho Soho restaurant hosted a lunch in London to try and settle same while fuelling a debate on whether it's possible to prevent similar financial penalties from spilling over into the much more expensive market in mainland Britain. Eleven restaurant writers and five restaurateurs were plumped down at the same table with Alastair Brett, a Times libel lawyer, and journalist Adam Raphael, keeping the score.

Not surprisingly, there were almost as many verdicts as there were diners. Richard Shepherd from Langan's, who set an unprofessional example by not eating the grilled salmon with basil sauce but smoking throughout, called for more understanding of the emotion of eating out. By contrast, Pizza Express's Peter Boizot quoted Shakespeare and St Augustine to back his thesis that critics should at least have to inspect the kitchens before sounding off.

The writers' team seemed to be under the impression that – as long as they got their facts right and, when inaccurate, allowed the restaurateur the right of reply – there should be no problem. However, there is a growing lobby who believe that it is only a matter of time before a particularly nasty review detonates a law suit.

Unless our libel laws are changed, they can only hope that the case comes up before a judge who, forsaking his chambers, enjoys eating out.

Some signal

■ The Earth Summit kicks off today with a bizarre award for the Mayor of Mexico City in recognition of what some see as his less than impressive efforts to reduce the city's pollution levels. The award has surprised Mexicans, not just because ozone levels this year have reached record heights, but the measures taken can hardly be held up as a model for the whole globe.

Earlier this year the mayor took to making almost daily announcements about who could, and could not, drive their car on a certain day, in a panic response that seemed designed to create the greatest amount of inconvenience for the smallest possible benefit. Other more worthy winners – including the Mayors of Saarbrucken in Germany and Kitakyushu in Japan – can hardly take pleasure from being lumped together with the world's smog capital.

In touch

■ Investment Ombudsman Richard Youard should know what he is talking about in saying he has a bee in his bonnet about the hoary old investment warning that the value of shares can go down as well as up. He's a keen amateur beekeeper.

Moreover, given that he used to be called the Investment Referee, it is no surprise that he has a fondness for footballing metaphors when explaining his annual report. A staged reconstruction of an

investment advisory interview is an "action replay", for instance. His spoken verdict on the Dumenil unit trust debacle is that it was unsatisfactory, but "that's not to say everybody done it wrong."

But bees and boots are not the only influences on Youard. A former partner in City solicitors Slaughter & May, he still plays cornet with his old firm's jazz band, as one of his comments at yesterday's press conference showed.

Questioned about an 82-year-old woman who'd been given bad investment advice, Youard replied: "Old biddies don't live in tents" – a line from Tin Roof Blues, one of his band's favourite numbers.

Buck catches up

■ It's the tortoise-and-hare story in reverse. Last November Observer reported that farmers were hopping mad with slow and ponderous British Rail, accusing it of neglecting to control the rabbits which breed on railway embankments and raid the crops in neighbouring fields.

Its response has been to stone-wall by arguing that there can be no civil claim against it for the actions of wild animals, while hedging the question of liability under the Pests Act by insisting that any compensation awards it makes for the crop-damage are merely *ex-gratia* payments.

It now looks like being overtaken by the bunnies with the aid of the Country Landowners' Association, which is mustering members to put a stop to BR's buck-passing. In particular, a High Court action is being filed by Major Michael Smallwood, who farms at Honeybourne, Worcestershire, for breach of the Pests Act.

Sound practice

■ Any banker who underestimates the importance of luck in making sound lending decisions should ponder why Sumitomo Bank's name has not figured in the problems of Olympia & York.

Sumitomo was among the Japanese institutions targeted by Paul Reichmann in 1989 as lead managers for a proposed $2.5bn "jumbo" loan to O & Y. Sumitomo even ordered kosher meals in preparation for Reichmann's visit to Tokyo to discuss its involvement.

However, at the last minute Reichmann phoned to say that he had to stay in Toronto to care for his ailing mother. The trip never materialised and, to this day, Sumitomo has no exposure to O&Y. Alas, some other Japanese banks, notably Dai-Ichi Kangyo and Tokai, were not so fortunate.

Bargain taste

■ Meanwhile, if Li Ka-Shing, Hong Kong's first Chinese taipan, does buy into London's docklands will it be fair to describe Canary Wharf as the biggest "Chinese take-away"?

FINANCIAL TIMES
Wednesday June 3 1992

Ceasefire hopes collapse as fighting spreads to other parts of Bosnia

Serbs attack relief convoy

By Judy Dempsey and Laura Silber in Belgrade

HOPES of implementing any ceasefire in Bosnia-Hercegovina collapsed yesterday after an aid worker with a humanitarian relief convoy was killed in an attack by Serb militia on the outskirts of the capital Sarajevo, and fighting spread to other parts of the republic.

The convoy, organised by the Children's Embassy, an international charity, and escorted by two United Nations armoured personnel carriers, had attempted to take food to Dobrinja, a suburb of Sarajevo. More than 20,000 people have been under siege by Serbian militia for 40 days.

Ms Sanja Rihtman from the Children's Embassy in Sarajevo, said one aid worker was shot dead and another badly injured in the attack which left one of the buses carrying food in flames.

Meanwhile Sarajevo radio, quoting the Bosnian government, said 5,700 people had died, and more than 20,000 had been injured since the fighting in the republic started two months ago. About 1.5m people have been displaced.

Mr Enis Musabasic, foreign editor of Sarajevo Radio, said there was no let-up in fighting yesterday. He said Serbian militia forces and the Yugoslav army bombarded Jajce, a city in north-east Bosnia, where Croats and Moslems make up 70 per cent of the population.

Attempts to reopen Sarajevo airport and negotiate the withdrawal of the Yugoslav army from the barracks in the Bosnian capital made no headway.

The surge of fighting indicates that the Serb forces in Bosnia are defiant in the face of UN sanctions. UN officials and western diplomats in Belgrade say that General Ratko Mladic, commander of the Bosnian Serb army, is ordering the attacks.

In a joint statement issued last night the Belgrade leadership called on Serb leaders in Bosnia to "immediately halt all bombardments of Sarajevo... and to cede the city airport to the control of the United Nations". The statement, initialled by Serbian president Slobodan Milosevic, condemned all "ethnic cleansing" operations.

Diplomats said the communiqué appeared to indicate that leaders from Serbia and Montenegro were trying to distance themselves from Bosnia's Serb leaders and militia groups following UN sanctions. A western diplomat said: "It is unclear if it would have any impact in reducing the level of violence in Bosnia or if the Serb militia groups were beyond the control of Belgrade".

General Zivota Panic, commander of the Yugoslav army, was due to hold further talks with Bosnian president Alija Izetbegovic in Sarajevo. However, it is not clear if General Panic can control General Mladic's forces.

With the imposition of UN sanctions on Serbia, people in Belgrade are scrambling to make contingency plans to avoid being caught up in any civil war. Both the opposition and Milosevic supporters agree that violence is inevitable.

Mr Zoran Djindjic, a leader of the opposition Democratic party, said: "A civil war can be sparked in three ways: inter-ethnic conflicts within Serbia, clashes between armed supporters of Milosevic and armed opponents, mass social unrest because of economic deprivation."

Parents with young children are planning to leave soon.

Meanwhile in Croatia, the Croatian army launched an offensive near Dubrovnik to try to expel Serb, Montenegrin and Yugoslav forces from its territory.

A Bosnian soldier in Sarajevo yesterday beneath the city's first war propaganda poster. It seeks the death of criminals

Japanese students learn to bow

By Robert Thomson in Tokyo

THE DOWNTURN in the Japanese economy has claimed another victim, the pampered university student. In the feverish days of the late 1980s, the country's students were wined, dined and entertained at beach resorts by companies in need of young talent to stock their wildly ambitious expansion plans.

But, as one youth magazine warned yesterday, the wind on the golf course has changed direction. Toyota Motor announced that its intake of non-technical graduates will be cut by 18 per cent this year, Nissan by 21 per cent, and Kawasaki Steel by 28 per cent.

Companies are no longer devising ever more extravagant ways to entice reluctant students into the fold. Instead worried applicants are attending politeness courses, polishing their interview techniques, and getting the depth and timing of those bows right.

Meanwhile, the National Personnel Authority, which hires and fires bureaucrats, says this year's applicants will not be asked to identify their university. The policy change is an attempt to reduce the bias towards Tokyo University graduates, who take more than 70 per cent of posts in the choice ministries. The NPA's edict is likely to have less impact than the ailing economy. As the authority itself is overstocked with Tokyo graduates, the old-boy network which runs the bureaucracy will ensure that outsiders are kept to a minimum.

For Toyota, the cut in graduate hiring is an inevitable reaction to a year-long slump in the domestic car market: "We took in so many people when the economy was growing rapidly. Now the environment has turned sour and we must cut back." The same sentiment was expressed by Hitachi, the electronics company, which says it is taking a "macro view" and, instead of hiring for the sake of hiring, it is only hiring for "necessary posts".

In the quest for these "necessary posts", students have taken to consulting magazines such as Adole, which guides apparently inexperienced students in the fine art of the corporate bow. Young men should have hands at the side, coat buttoned, eyes down and take their bow slowly.

As for capturing the look that appeals most to the average Japanese personnel manager, young men are advised to wear a pastel tie, "not stained", carry a brief case, and avoid the double-breasted suit.

Young women are told that personnel departments don't like pierced ears and manicured hands, while the blue skirt hem should not stray too far above the knee, and hair is best worn up. Shoe heels must be no thicker than 5cm and a leather document holder makes a good impression.

Having slipped back into sensible shoes and away from vibrant flashes of individuality, the present generation of students is lamenting that their graduation will come one year too late. Last year, they could have reasonably anticipated at least one weekend contemplating job offers in a hot springs at company expense.

Diamond's supremacy takes a knock

By Clive Cookson, Science Editor, in London

DIAMOND may no longer be the hardest substance in the world now that US researchers have made small quantities of carbon nitride, a synthetic material which appears from preliminary tests to be as hard as or even harder than diamond.

If the discovery at Northwestern University in Illinois is confirmed, it will shatter diamond's romantic reputation for supreme hardness, which most scientists had assumed would last for ever. But it could lead to many industrial applications for carbon nitride (C_3N_4) as an ultrahard coating capable of resisting wear better than any other material.

The Northwestern project started after physicists at the University of California, Berkeley, published a computer prediction about the hexagonal crystal structure of C_3N_4. It said the hypothetical material – containing carbon and nitrogen atoms in a three-to-four ratio – would be harder than the cubic crystals of diamond, which is pure carbon.

The researchers have made a thin film of carbon nitride by a technique known as reactive sputtering. This involves firing carbon atoms from a graphite electrode at a smooth metal surface in a low-pressure atmosphere of nitrogen.

Although there is not yet enough crystalline material to do a definitive hardness test, preliminary results suggest that C_3N_4 will live up to its computer model. The coating has come through standard wear-resistance tests without a scratch.

The university recently received a three-year grant from the US National Science Foundation to make more carbon nitride and investigate its applications. It could give a protective surface to a wide variety of materials including cutting tools, bearings, knives and even artificial human joints.

Mr Ming-Show Wong of Northwestern's industrial research laboratory sees a large potential market in extending the life of computer discs with an ultrahard coating.

However, if carbon nitride is to become more than a scientific curiosity some questions remain. For example, whether it can be manufactured at a reasonable cost and how well it bonds to other materials.

A serious problem with diamond coatings is getting them to stick securely to the substrate, says Mr Alan Collins, a physicist at King's College, London. "If carbon nitride sticks well to a large number of substrates, it could be a winner."

However, carbon nitride still exists only as a microscopic coating and as yet there is no practical technique for making gem-sized crystals.

It would seem for the foreseeable future at least that diamonds remain a girl's best friend.

Hongkong raises Midland bid to £3.9bn

Continued from Page 1

analysts said the new offer had tipped the odds in favour of the Hongkong Bank bid succeeding.

Shareholders remained undecided. One large institution said: "Frankly we would much rather be shareholders in Lloyds Bank. The new Hongkong offer is quite rich and quite tempting but Lloyds is a natural holding for us and a more logical fit for us than a vague global bank."

Hongkong Bank has brought forward the acceptance date on its offer by nearly two weeks to June 25.

This gives shareholders little more than three weeks to decide whether to accept the offer or wait until the autumn in the hope that Lloyds will be cleared to launch its own bid. Hongkong Bank is now offering slightly more than Lloyds' proposed terms for each Midland share, but Lloyds is widely expected to raise its offer above 500p if it gets clearance.

Hongkong Bank's original offer to Midland shareholders gave them 118 shares in the combined bank and £50 worth of bonds, valuing each Midland share at 401p, well behind the Lloyds offer of 464p a share.

One important feature of the new offer is that it makes Hongkong Bank bonds much more attractive to institutions by improving their yield from 1.6 per cent to 2.4 per cent above gilts and arranging for them to be underwritten by Credit Suisse First Boston, Schroders, Cazenove, and SG Warburg.

World Weather

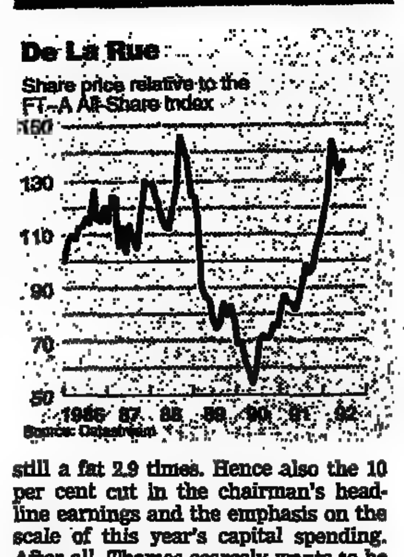
		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	23	73	Boulogne	C	14	57	Frankfurt	F	23	73	Majorca	S	23	73	Oporto	F	17	63	Tenerife	F	22	72
Algiers	F	24	75	Brussels	F	16	61	Geneva	F	18	64	Malaga	S	25	77	Oslo	F	24	75	Tokyo	S	25	77
Amsterdam	C	20	68	Budapest	S	26	79	Gibraltar	F	23	73	Malta	S	25	77	Paris	R	16	61	Toronto †	S	18	64
Athens	S	27	81	Buenos Aires	F	18	64	Glasgow	C	16	61	Manila	C	33	91	Prague	F	23	73	Tunis	F	27	81
Bahrain	S	37	99	Cairo	S	32	90	Helsinki	S	17	63	Melbourne	F	14	57	Reykjavik	F	9	48	Valencia	F	25	77
Bangkok	F	37	99	Cape Town	C	16	61	Hong Kong	C	26	79	Mexico City	C	23	73	Rhodes	S	26	79	Venice	F	24	75
Barcelona	F	19	66	Caracas	C	30	86	Innsbruck	F	23	73	Miami †	S	27	81	Rio de Janeiro	C	29	84	Vienna	C	23	73
Beijing	F	28	82	Casablanca †	C	21	70	Inverness	F	19	66	Milan	C	22	72	Rome	S	27	81	Warsaw	F	26	79
Beirut	S	22	72	Chicago †	S	13	55	Islamabad	C	35	95	Montreal †	C	13	55	Salzburg	F	28	82	Washington †	S	18	64
Belfast	C	14	57	Cologne	R	17	63	Istanbul	S	22	72	Moscow	C	21	70	S Francisco †	C	13	55	Zurich	F	17	63
Belgrade	F	28	82	Copenhagen	S	24	75	Jakarta	R	32	90	Munich	F	27	81	Seoul	S	29	84				
Berlin	S	28	82	Corfu	S	30	86	Johannesburg	S	21	70	Nairobi	F	27	81	Singapore		–	–				
Biarritz	C	17	63	Dallas †	F	18	64	Lisbon	F	20	68	Naples	S	34	93	Stockholm	S	23	73				
Bombay	Dr	30	86	Dublin	C	18	64	London	F	18	64	Nassau	C	30	86	Strasbourg	C	21	70				
Bordeaux	F	21	70	Dubrovnik		–	–	Los Angeles †	C	16	61	New Delhi		–	–	Sydney	F	20	68				
				Edinburgh	C	16	61	Luxembourg	T	19	66	New York †	C	16	61	Taipei	F	30	86				
				Faro	S	21	70	Madeira	C	19	66	Nice	F	22	72	Tangier	F	21	70				
				Florence	S	29	84	Madrid	F	21	70	Nicosia	S	23	73	Tel Aviv	S	26	79				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Phoney war for Midland

FT-SE Index: 2705.9 (+8.3)



Mr Purves of the Hongkong Bank would clearly like his latest offer for Midland to be seen as a knock-out. At a value of 479p, however, it is only 23p higher than the most attractive option under the original offer. The cash alternative to the loan stock portion has considerably improved the structure of the bid, but there is still room for Lloyds to top the price without undermining its own commercial case for acquiring Midland.

Assuming that this is indeed what happens after the Lloyds board meeting on Friday, investors will be back to second-guessing the Monopolies and Mergers Commission. But they would be wrong to assume that it is a simple question of whether or not the Lloyds case will be rejected. In that case, Takeover Panel rules would still allow HSBC immediately to slap another bid on the table, with the crucial proviso that it was recommended by the Midland board. The risk in sitting tight therefore is that Midland would refuse to endorse a second HSBC bid.

That HSBC knows this is a weakness in its case is betrayed by its new sense of urgency. After all the trouble it has gone to, it is almost inconceivable that HSBC would pass up a second opportunity to bid, though it might be necessary to spice the deal to win endorsement from a jaded Midland board.

In this context, it is striking that the proposed premium on the loan stock element has swung from a parsimonious 160 basis points over gilts to an exceptionally generous 240 points. If HSBC wanted to underwrite more paper for a fresh offer, it would have little difficulty at this price.

As long as Lloyds can persuade investors that HSBC would remain in the game after the MMC enquiry, it still has everything to play for. To deter waverers from selling out, it will need on Friday to signal its absolute determination to beat its rival bidder if and when it gets the go-ahead from the competition authorities. That would mean indicating a new price in excess of 500p to compensate for the admittedly quite small risk that Midland would be left ultimately without any suitor at all.

Thames Water

Judging by the careful choreography, yesterday's annual results from Thames Water were designed to avoid offending several constituencies. Hence, perhaps, the restrained 10 per cent dividend rise, after which cover is still a fat 2.9 times. Hence also the 10 per cent cut in the chairman's headline earnings and the emphasis on the scale of this year's capital spending. After all, Thames scarcely wants to be compared with the likes of BT.

Perhaps the most significant aspect of the results was the group's championing of its non-regulated businesses, which made a net profit for the first time. The declared £3m figure may have been somewhat flattered by inter-group transactions, but Thames made its point. Though its sheer size makes it hard for unregulated profits to have a real impact, in the long term it will be easier to reward shareholders without alienating customers if the money is earned away from the basic business.

On that front, Thames can boast impressive progress in reducing losses from leaking pipes, while its spending programme, including the London ring main, is comfortably on course. The shares are on a current year multiple of less than 8 and a yield of 5.8 per cent, which seems adequate protection against fresh interventions by the regulator.

Foster's

The appointment of receivers by Broken Hill Pty to Mr John Elliot's International Brewing Investments suggests that in Australia, as in most places, old money wins in the end. It is six years since Mr Elliott got together with the late Robert Holmes à Court to harry the Australian establishment in the form of BHP. It now looks as if BHP may end up owning a third of Mr Elliott's erstwhile brewing empire as a means of clearing up the mess.

What happens to Foster's now is anybody's guess. The previously proposed merger with SA Brewing is one obvious answer, but only if the terms can be renegotiated. Yesterday's slight rise in the Foster's share price is nevertheless justified in one obvious sense. Foster's has been dogged by the conflict of interest between Mr Elliott and other shareholders. If BHP does take temporary control of Mr Elliott's holding, any steps it takes to realise value will doubtless benefit shareholders as a whole.

One party with an interest in yesterday's receivership is Grand Metropolitan, which invested A$50m in Mr Elliott's private company as part of the Courage/Foster's merger. But the merged entity is doubtless hedged against changes of ownership. As for the A$50m, that was written off in GrandMet's books long ago.

De La Rue

De La Rue shares have outpaced the market by 140 per cent over the past two years, a performance which owes more to growing faith in the management than to any fundamental shift in the outlook for its businesses. The question after yesterday's 29 per cent rise in full year profits is whether other stocks with a greater UK bias and better recovery potential will make more attractive investments over the next 12 months.

It is true that the prospects for security printing are scarcely commensurate with the number of column inches devoted to the fledgling Estonian currency. Eastern Europe offers one of those once-in-a-generation opportunities to boost the bank note order book: but it remains a relatively unexciting if cash generative activity with average volume growth of 4 per cent a year. Complementing that steady annuity income, though, is the more interesting payment systems side recently strengthened by the Swedish acquisition, Inter Innovation. The process of integration mean that Inter's first year contribution will not be visible, so investors will have to take the company's word that the rights issue promise to avoid earnings dilution still holds good.

Price pressure from Japanese competitors at De La Rue Giori and tough trading conditions in Nigeria may cause some current year forecasts to be shaved. But while there were inevitably a few profit takers yesterday, the shares look worth supporting in the long run on a forward multiple of 17.

FINANCIAL TIMES

COMPANIES & MARKETS

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Wednesday June 3 1992

INSIDE

Porsche makes fresh round of job cuts

Porsche, the German luxury sports carmaker, is to shed a further 850 jobs in the coming financial year as part of another cost-cutting exercise. Management hopes to reduce operating costs by DM100m ($61.3m) in 1992-93, Mr Arno Bohn, chairman, said yesterday. Page 18

Ymos reports DM200m losses

Ymos, one of Europe's largest car components manufacturers, has reported losses of nearly DM200m ($125m) for 1991 mainly because of "balance sheet fraud". Page 16

Powell Duffryn slips 15%

Powell Duffryn, the UK distribution, storage and engineering company, announced far better-than-expected profits of £33.8m ($60.8m) in a year of wide-ranging restructuring. Mr David Hubbard (left), chairman, said the 15 per cent decline in profits on the previous year was not to be ashamed of, considering the depressed nature of the UK market. Page 22

Devenish doubles profits

Devenish, the West Country-based pub operating company, which may face a renewed bid from Boddington, the pubs, hotels and health-care group, later this month, more than doubled interim pre-tax profits from £2.09m to £4.24m ($7.6m). Turnover fell from £46m to £30.4m. Mr Denis Cassidy (above), Boddington chairman, seized yesterday on a "disappointing" fall in Devenish's pub operating profits for the half year from £6.05m to £5.85m. "Operating profits have shown no growth since 1990," he remarked. Page 25

Brewing up a storm

Bolivia has begun an international campaign to legalise coca leaf exports in the form of herbal tea, in a bid to replace the leaf's better known derivative – cocaine. Page 26

Rough introduction to capitalism

It was hardly the most auspicious introduction to capitalism. Fights break out daily in the queues of people trying to buy shares in the Shenzhen stock market. Hundreds of arrests have been made. But since the beginning of March, the market index, which tracks the stock movements of one of China's two official stock exchanges, has jumped 171 per cent. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Hapag Lloyd	580	+	[illegible]
Heidelb Zem	979	+	[illegible]
Porsche	490	+	10
Falls			
Aachen Mch	920	–	18
Lahmeyer	780	–	10
Rheinelektra	1155	–	55

NEW YORK ($)			
Rises			
Unisys	9⅞	+	⅝
Falls			
Bristol Myers	66½	–	7¼
Harley-Davidson	55⅞	–	2⅞
Merck	49⅝	–	1¾
Pfizer	71½	–	3¼
[illegible]	26	–	2

PARIS (FFr)			
Rises			
BIC	803	+	20
Canal+	1167	+	17
Valeo	755	+	14
Falls			
Dollfus Mieg	380	–	10
Gaumont	511	–	68
Promodes	3699	–	116

TOKYO (Yen)			
Rises			
Heiwa	4180	+	300
Mazda Motor	521	+	80
Nihon Nohyaku	1220	+	100
Shin-Etsu Poly	550	+	49
Falls			
Jidosha Buhin	290	–	35
[illegible]	208	–	29

LONDON (Pence)			
Rises			
ADT	480	+	20
[illegible] Intl	2875	+	175
Dart	86	+	4
Elect Data	545	+	45
GIIE	153	+	6
JS Pathology	170	+	16
Midland Bank	462	+	31
Nthn Investors	189	+	11
Perpetual	138	+	20
Powell Duffryn	398	+	30
Proteus Intl	507	+	40
Ransomes	34½	+	4½
TSB Chnl Isls	245	+	93
Telemetrix	57	+	6½
Ulster TV	212	+	15
WPP	59	+	6
Falls			
Allders	118	–	4
Eurocopy	53	–	3
Eurotunnel	358	–	11
Metro Radio	198	–	18
Norcros	140	–	7
Pentos	114	–	7
Stand Chartd	481	–	17
[illegible]	138	–	6

Qantas to be merged and sold off

By Kevin Brown in Sydney

AUSTRALIA'S Labor government yesterday announced plans to merge two government-owned airlines, followed by a sale to the private sector of all the capital in the merged carrier.

Mr Paul Keating, prime minister, said Qantas, the international carrier, would pay A$400m (US$303m) today to acquire Australian Airlines, the domestic carrier.

Mr Keating said the merged airline would be privatised through the sale of 35 per cent of its shares to foreign airlines, and the sale of the remaining 65 per cent to Australian interests. British Airways, Singapore Airlines and Japan Airlines are seen as contenders in the sell-off.

He added that the sale was expected to return a net A$1bn to the government, implying a sale value of more than A$2bn, after taking account of the A$400m cost of acquiring Australian and Qantas' refinancing requirements of between A$600m and A$1bn.

Mr John Ward, Qantas chief executive, said the merged airline would be valued at between A$2.4bn and A$3bn. Such a price tag would make the sale Australia's biggest privatisation, dwarfing the A$1.3bn sale last year of 30 per cent of the government-owned Commonwealth Bank.

The government has not yet decided whether there should be a ceiling on foreign holdings. However, it hopes to sell most of the shares reserved for Australians by way of a flotation early next year.

Mr Keating also announced the establishment of an independent tribunal to award international routes to the merged airline and Ansett Australia, the privately-owned domestic airline which is to be Australia's second international carrier.

The announcement marks the fourth significant change in Australian aviation policy since October 1990, when deregulation of the domestic market swept away decades of strict government control.

The latest change of policy reflects a growing conviction among ministers that the value of the two airlines would be increased significantly by a merger and full privatisation.

Only a handful of serious bidders emerged for previously planned separate sales, led by British Airways, Singapore Airlines and Air New Zealand.

The sale of 100 per cent of the capital in the airline would breach Labor policy, and will have to be confirmed by a special party conference.

Labor's parliamentary party approved the proposal yesterday.

The government will retain a "golden share" to protect vital national interests, such as the ability to commandeer aircraft during war or civil emergencies.

Standard Chartered may lose Rs11bn

By Richard Waters and RC Murthy in Bombay and Peter Martin in London

STANDARD Chartered, the UK-based international bank, has an exposure of up to Rs10.55bn ($360m) in India's biggest securities scandal, according to a report published yesterday by the Reserve Bank, the country's central bank.

Standard Chartered's shares dropped on news of the report, closing at 481p, down 17p. After the market closed, the bank issued a statement to the London Stock Exchange, saying it still believed a £50m provision, already announced, was "the best prudent assessment of the provisioning required".

Mr Malcolm Williamson, chief executive, said he had not seen the Reserve Bank report, but that it sounded as if it had focused on gross exposure, rather than net.

Banks' possible losses from the scandal, put by the central bank at Rs30.8bn, stem from abuses of the interbank market. The Reserve Bank said that there had been "massive collusion" between banks and brokers in the interbank market, adding: "There has been a systematic diversion of funds from the banking system to the individual accounts of certain brokers."

The problems stemmed from bank's practice of issuing receipts to each other to guarantee delivery of securities. These have become widely traded between banks, even though they are often not backed by securities

According to the report, Standard Chartered has paid out Rs3bn without having received any bankers' receipts or other securities to back the payments.

It is also holding receipts from banks with a face value of Rs7.55bn "for which the issuing banks do not appear to have sufficient backing".

Some Rs5.3bn of these related to the Metropolitan Co-Operative Bank, described in the Reserve Bank report as "a very small sized urban co-op bank" with less than Rs100m of assets.

The remaining Rs2.25bn of receipts were issued by the Bank of Karad, a small private bank that has gone into liquidation.

Mr Williamson said Standard Chartered was close to finishing its work of assessing the bank's security in Bombay. "We've got about 15 trunkloads of hard security – it's not bankers receipts or IOUs."

Bristol-Myers forecast depresses drug shares

By Nikki Tait in New York and Paul Abrahams in London

SHARES in Bristol-Myers Squibb, the world's third largest pharmaceuticals company, plunged by about 10 per cent yesterday, after the US group warned of only a "mid-single digit" earnings advance in the second quarter and of sales growth totalling less than 5 per cent.

The company blamed inventory reduction by wholesalers. However, analysts said Bristol-Myers had also been affected by increasingly high levels of discounting imposed by managed healthcare groups. These groups, often containing insurance companies, have been insisting on lower prices for drugs.

The warning hit other drugs company stocks on both sides of the Atlantic. By the close in New York, Schering-Plough was down $2½ at $50⅝, Merck fell $1¾ at $49⅝, Pfizer was $3¼ lower at $71¼, and Upjohn lost 1 at $34⅝. Bristol-Myers itself shed $7¼ at $66⅝.

In London, Glaxo fell from a high yesterday of 796p before closing at 770½p, down 5p on the day. SmithKline Beecham fell from a high of 941p to 924p, and Wellcome fell from a high of 981p to 971p, both down 1p on the day.

Pharmaceuticals companies have been warning for some time about increased discounting in the US. One UK-based group complained Wall Street analysts were only just recognising the extent of the present pricing environment. In addition to discounts to managed groups, companies have been forced to offer rebates to Medicaid. Last year SmithKline Beecham paid back $50m, while Glaxo paid $55m during the first half of this year.

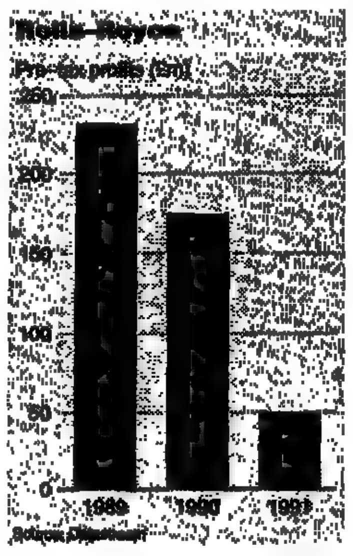
In a formal statement released before the stock market opened, Mr Michael Autera, Bristol-Myer's chief financial officer, said that wholesalers' stocks of the company's pharmaceutical products were "being reduced to lower levels than previously anticipated – in some instances below historical norms".

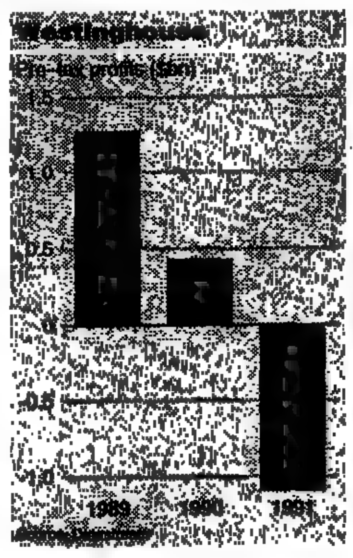
Bristol-Myers' first-quarter revenue growth – only 2 per cent – had already disappointed analysts. When the results were released, this was blamed on heavy "pre-buying" of drug products last autumn, ahead of anticipated prescription drug price increases. Wall Street pundits had, however, expected sales growth to pick up in the second quarter.

Yesterday, Mr Autera said that Bristol-Myers Squibb believed that the "correction" in wholesalers' stocks had now run its course. But he warned that the company could not be sure how low stocks would be taken, or when sales would again reflect "underlying levels of prescribing and use of its pharmaceutical products".

Paul Betts looks at the partnership with Westinghouse to challenge General Electric

Rolls-Royce enters the power league





Terry Harrison: "significant payoffs for all the partners"

ROLLS-ROYCE has decided to play with the big boys in the fiercely competitive industrial power generation market by agreeing to form a 15-year partnership with Westinghouse of the US.

"The arrangement with Westinghouse takes us into the world market," Mr Terry Harrison, head of Rolls-Royce's industrial power activities, said yesterday. He becomes the company's chief executive at the end of September.

The deal – which will also link Rolls-Royce to Westinghouse partners such as Mitsubishi Heavy Industries of Japan and FiatAvio of Italy – will again pitch the UK group against General Electric, its American arch-rival in the aero-engine business and the power generation world market leader.

For Westinghouse – whose traditional role as the industry's number two after GE has been eroded with the decline of nuclear power programmes – the alliance will strengthen its hand in its leadership battle with GE.

Westinghouse's power business had total sales of $2.6bn last year and made an operating profit of $283m.

Surplus capacity and the gradual breakdown of protected national power plant markets has accelerated consolidation and cross-border partnerships in the power generation industry.

Power plant manufacturers have faced a fundamental choice in order to survive: they can either opt to collaborate in large technologically powerful alliances operating over the full range of power generation products; or they can become smaller "niche" players specialising in a particular market sector.

"We've clearly gone for the broad alliance," said Mr Harrison, the former chief executive of Northern Engineering Industries (NEI), the UK power equipment supplier acquired three years ago by Rolls-Royce.

Even before its acquisition, NEI was looking for partners. It forged an alliance initially with Mitsubishi. This collapsed after the Rolls-Royce merger because the aero-engine maker had a separate agreement with the Swedish-Swiss Asea Brown Boveri group. After the merger, NEI and ABB formed a joint venture to sell power plants in the UK.

Originally Rolls-Royce decided to acquire NEI in order to increase its presence in the industrial power business and help broaden its industrial base. It is far more heavily dependent on the aero-engine sector than its two main US competitors, GE and Pratt & Whitney, both of which are part of much larger diversified groups.

The strategy helped Rolls-Royce ride through the current cyclical slump in the commercial aero-engine market and the decline in military aero-engine activity. Industrial power accounted for 42 per cent of the company's £3.5bn sales last year and made a pre-tax profit of £73m compared with a £6m loss by the aerospace division.

But to make headway in the world market and increase the industrial power group's share of turnover to 50 per cent, Rolls-Royce decided it needed to forge a partnership.

GE already has a wide range of partners, from GEC/Alsthom in Europe to Toshiba and Hitachi in Japan. Siemens of Germany has links with Pratt & Whitney, while ABB acquired the US boiler maker Combustion Engineering and the power generation interests of Ansaldo and Franco Tosi of Italy.

Westinghouse has formed a trilateral alliance with Mitsubishi and FiatAvio but was looking for a technological partner to provide it with the aero-engine technology it lacked compared with GE, which has its own extensive aero-engine activities.

"The attraction of Rolls-Royce for Westinghouse was our aero-engine technology while they offered us an opportunity to get into the international marketplace," Mr Harrison said.

The power industry expects most of the near-term growth in the market to come from natural gas-fired combustion turbine or combined cycle plants. This has brought aero-engine and industrial power plant manufacturers closer because gas turbines for power generation are derived from aircraft engine technology.

The availability of much cheaper natural gas, the greater thermal efficiency of combined cycle plants, their environmental advantages, their lower and much faster installation costs have significantly boosted demand for gas turbines in electricity generation. As Mr Harrison said: "The hotter you run a gas turbine, the more efficient it is. And you need aero-technology to do that."

Westinghouse and Rolls-Royce started working together last year when they jointly bid for a US government contract to develop a new gas turbine engine for the US Navy. After winning the $160m contract in January, the two companies decided to expand their relationship into a much broader technology transfer and marketing alliance.

"One thing led to the other," said Mr Harrison, who also expects to see the partnership offer Rolls-Royce additional opportunities to co-operate with Westinghouse in related sectors like coal gasification.

The arrangement, he emphasised, would not affect NEI's existing venture with ABB, which was restricted to the UK market, while the Westinghouse deal covered all other world markets. Mr Harrison also said the new partnership would not have any impact on Rolls-Royce's venture with Cooper Industries of the US in pumping machinery for the oil and gas industry and off-shore power generation.

Mr Harrison conceded it would take some time before the Westinghouse agreement would reap tangible results. "There are no miracles in the heavy engineering business but the arrangement will have very significant payoffs for all the partners in due course," he said.

It has, however, already had one immediate effect. It has enabled the combined forces of Westinghouse and Rolls-Royce to throw down the gauntlet to their common enemy GE.

BHP ends doubt on Foster's future

By Kevin Brown in Sydney

BROKEN Hill Proprietary (BHP), Australia's largest company, yesterday ended more than two years of uncertainty over the future of Foster's Brewing Group by appointing receivers to Mr John Elliott's International Brewing Investments (IBI).

BHP's unexpected action removes control of a 32 per cent shareholding in Foster's from IBI, a wholly-owned subsidiary of International Brewing Holdings (IBH), a privately-owned company controlled by Mr Elliott and other Foster's executives.

Mr Elliott, the former chairman and chief executive of Foster's, was abroad, but is believed to have been informed of BHP's move. There was no comment from other directors of IBH.

Mr John Prescott, BHP chief executive, said the group installed receivers to protect its A$1bn (US$700m) preference share investment in IBI, which is secured against the company's shareholding in Foster's.

Foster's shares fell 12 cents to A$1.87 on the Australian Stock Exchange after the move was announced, but closed one cent higher at A$2 after BHP said it would take steps to stabilise the brewing group.

Mr Prescott said there would be no "fire sale" of IBI's Foster's shares.

"If necessary, BHP will acquire the shares from the receivers to ensure that they are not dispersed at less than full value," he said.

BHP also said it had offered to purchase IBI's debt of about A$1.2bn to a syndicate of banks.

Such a purchase would prevent the appointment of separate receivers by the syndicate, which also has a claim on IBI's Foster's shareholding as security against its loans. Mr Prescott said BHP would look sympathetically at a recent proposal by SA Brewing, the South Australian food and industrial group, to merge with Foster's.

BHP's decision to appoint receivers follows the end of a moratorium on interest payments on about A$2.6bn of debt acquired by IBH to finance the purchase of its shareholding in Foster's. Mr Prescott said the financial instability of IBH had depressed the value of Foster's and caused board disharmony, management distraction, financial pressures and a perceived overhang of Foster's shares in the market.

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Ymos turns in DM200m loss

By David Waller in Frankfurt

YMOS, one of Europe's largest car components manufacturers, has reported losses of nearly DM200m ($124m) for 1991, mainly because of "balance sheet fraud".

Speaking at an extraordinary shareholders' meeting in Frankfurt, Mr Gerhard Krischer, chief executive, explained how a review over recent months had produced evidence of sustained fraud. This will contribute DM110m to a total loss of DM196m for last year. Turnover was DM660m.

Mr Krischer said that the losses, which have wiped out shareholders' equity, will necessitate a capital write-down and an injection of fresh funds.

This will be backed by Cockerill Sambre, the Belgian company which took a majority stake in Ymos in February 1990.

On top of the loss caused by the alleged fraud, operating losses last year were DM35m including restructuring costs; a reorganisation of the valuation process for tool subsidies led to a further DM44m loss; and losses of DM8.5m were brought forward from the previous year.

According to the chief executive, the alleged fraud involved improper accounting for the ownership of customer tools; falsely obtained government subsidies; and asset manipulation involving double-counting of previously obtained subsidies.

The alleged fraud took place before Cockerill Sambre bought its stake, the meeting was told. Without saying who was responsible,the company said it planned to press charges and seek damages.

Investigations by accountancy firms had proved that over several years "a false picture" of the company's business and financial position had been painted. This had shown either that the company had been making profits when in fact it had been making losses, or that losses were lower than they were in reality.

"This picture has now got to be corrected," Mr Krischer said.

● *Sales at Rheinmetall Berlin*, the large German weapons, machinery and car components manufacturer, dropped by nearly 10 per cent to DM1.1bn in the five months to the end of May when compared to the same period last year, writes David Waller.

Mr Hans Brauner, chief yesterday, said yesterday that the poor sales for the early part of this year reflected difficult order conditions in the defence business last year.

Looking ahead, he drew confidence from a sharp rise in the current order book: orders were up 67 per cent by DM1.4bn in the same five five month period, meaning that orders outstanding at the end of May were DM3.1bn.

Mr Rauner said that the relatively high increase in orders stemmed from two multi-year defence contracts - worth a total of around DM450m - which had been partially expected in 1991. There had also been strong growth in orders from the machinery division , with an increase in orders of 19 per cent.

Management had embarked on a campaign to cut costs and improve the quality of service and products, he explained. Since October, staff at the Obertshausen, Hesse-based group had been cut by 300, or 6 per cent of the total workforce.

Ilva deficit dashes hopes for flotation this year

By Haig Simonian in Milan

ILVA, the state-owned Italian group which is Europe's third-biggest steel producer, swung to a loss of L498bn ($410m) last year after net profits of L115bn in 1990 on the back of static sales of L10,608bn.

The results are a blow for the group, which had hoped for a stock market flotation later this year.

Italian bourse rules require a company to show three consecutive years of profits before listing their shares.

Ilva, which had been profitable in 1989 and 1990, will now only be able to quote its shares through a merger with an already quoted company.

As expected, the company allocated L411bn of capital gains made in 1991 into a special restructuring fund to help overcome continuing difficulties in the market this year.

Like its European counterparts, Ilva has been hit by the sharp fall in prices for many steel products at a time of rising competition from manufacturers in eastern Europe and developing countries.

The group, which took its present form in 1988, is controlled by the IRI state holding company and was created from the ashes of the ill-fated Finsider steel group.

Ilva managed to contain the fall in gross operating profits, which slipped by L194bn to L1,314bn, by saving around L290bn through cost reductions.

However, the savings failed to compensate for a sharp fall in earnings caused principally by lower product prices.

Ilva's results were also hit by L280bn in restructuring costs associated with the group's continuing redundancy programme, which saw the workforce cut by about 2,000 to 42,868.

Meanwhile, investments at group level rose by around L200bn to over L1,309bn, while debt charges for the parent company level fell by L176bn to L514bn.

Total chairman sets out benefits from sale of stake

By William Dawkins in Paris

Serge Tchuruk: 'sale will improve image overseas'

THE FRENCH government's decision to reduce its direct stake in Total, the oil company, will give the group valuable extra freedom, but its new relationship with the government has yet to be defined, Mr Serge Tchuruk, group chairman, said yesterday.

The move, expected to raise up to FFr10bn ($1.85bn) to fund the government's employment policies, would make it easier for Total to raise fresh equity capital in the future, would improve its image among foreign investors, and reassure potential business partners, he said.

In the past, Total's ability to issue new shares had suffered because the financially hard-pressed state wanted to keep its 34 per cent ownership level unchanged but could not always afford to subscribe to rights issues, Mr Tchuruk told a shareholders' meeting.

"In the US or the UK, the fact of being state-owned or state-controlled, in the eyes of analysts is a handicap," he added. The state share sale "will be appreciated on this point".

Potential business partners were sometimes worried about the state's control, he added.

However, just how much control the state will exert at Total remains fully to be defined, he admitted. The government has indicated that it wants to retain the right to choose the chairman and the main administrators, as well as to vet international agreements.

How Total's relations with the state would be "clarified" was still under discussion, said Mr Tchuruk. The share sale is to take place as soon as the new relationship between Total and the government has been agreed and when market conditions permit.

Deutsche Aerospace just in black

By Quentin Peel in Bonn

DEUTSCHE Aerospace (DASA), the defence and aerospace subsidiary of Daimler-Benz, scraped into the black with a profit of just DM50m ($31m) last year, on turnover of DM12.4bn, compared with a loss of DM135m in 1990.

Mr Jürgen Schrempp, chief executive, warned that the company still faced "difficult times" in the coming years, with uncertainty over a string of public-sector projects. "Uncertainty and change will accompany us in the future, but there is also confidence, clearer structures and an increasingly vivid vision of a truly global company," he said.

The most immediate uncertainty concerns the European Fighter Aircraft, in which DASA has a 33 per cent stake. The German government is expected to pull out of the project by the end of the month.

At the same time, a questionmark hangs over the company's two space projects, the Hermes shuttle, and the Columbus space station, both of which will be delayed and may be cut back because of the budget squeeze in Bonn.

Thames Water edges ahead

By Angus Foster in London

THAMES WATER, Britain's largest water company by number of customers, yesterday announced modest increases in profits and dividends. It defused potential criticism about directors' salaries with a 10 per cent cut in pay and bonuses.

Thames reported an 11.3 per cent rise in pre-tax profits, from £212.3m to £236.3m ($425.3m) in the year to March 31. The increase was due to price rises and cost-cutting, but was held back by interest payments and recession.

Mr Roy Watts, chairman, said the performance was "highly creditable." He said Thames had struck a balance between shareholders' and customers' interests.

However, he said the results did not meet targets set by the non-executive directors and directors' pay and bonuses would be about 10 per cent below last year's total of £847,000, itself 70 per cent up on the previous period.

Turnover increased 7.6 per cent to £899.3m. Turnover in the core water and sewage businesses rose 11.5 per cent, in spite of price rises of 12.2 per cent. The shortfall was due to lower measured water usage from recession-hit industrial users.

Operating profits increased 23.8 per cent to £234m. Profits from property disposals were unchanged at £11m.

Interest costs were £9m, compared with interest earnings of £12m, as Thames launched a borrowing programme to fund capital investment of about £4bn. Net borrowings rose to £327m from £88m, and took gearing to 21 per cent against 6 per cent. Capital investment, which includes the London ring main, increased 4.1 per cent to £409m.

Earnings per share were up 9.4 per cent to £54.8p. The company is recommending a final dividend of 12.8p, against 11.5p, to make a total of 19.2p, an increase of 9.7 per cent.

The results were in line with market expectations, and followed a 4 per cent rise in interim profits to £118m.

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Dassault attacks orders for US aircraft

WESTERN European governments should be obliged to buy European defence equipment or see their defence industries wither, Mr Serge Dassault, chairman of Dassault Aviation, the French maker of jet fighters and business aircraft, said yesterday, writes William Dawkins.

In an article in a French newspaper, Mr Dassault, whose company has not received a military aircraft export order for four years, attacked Finland and Switzerland for recently buying American F-18s, competitors to the Dassault Mirage 2000-5.

"European preference must be absolute, not just for countries in the European Community, but also for those who want to join it, like for example, Finland and Switzerland, which decide to equip their air forces with an American aircraft. One cannot measure the considerable damage caused by the non-observance of this rule . . . Every time a European country chooses American equipment instead of European equipment, Europe shrinks," he wrote.

The only exceptions to a general preference for European suppliers must be for equipment that cannot be developed there, just as the US government only seeks European defence equipment if it cannot be made in the US, he argued.

Dassault has been badly hit by the squeeze on the French defence budget, intensifying pressure on it to seek export markets. Net profits fell by 29 per cent last year, to FFr263.9m, on turnover down 15 per cent to FFr15.9bn. The group also makes Falcon executive aircraft, but military sales still accounted for 75 per cent of last year's FFr15.9bn, a proportion which Dassault is aiming to reduce to 55 per cent.

Loan fraud feared at Hafnia group

THE DANISH Finance Inspectorate, the banking system watchdog, has asked the police fraud department to investigate transactions in the Hafnia Insurance Group with a view to bringing charges against members of the Hafnia board, writes Hilary Barnes in Copenhagen.

The action is the result of loans made to Hafnia Holding, the parent company, from its insurance subsidiaries. Such loans are illegal under Danish law.

The existence of the loans - for a total of about Dkr470m (US$76m) - became known in April. The loans have all been repaid, Mr Ebbe Christensen, chairman of Hafnia's supervisory board, told the annual meeting of shareholders yesterday.

Police will investigate the circumstances which led to the loans being made.

The loans to Hafnia Holding were made to bolster the parent company's finances, which came under pressure when Hafnia and Norway's UNI Storbrand tried last winter to stage a takeover of Skandia, the Swedish insurance group.

Italian public offerings lined up

THE LIST of Italian state-owned companies planning to raise money from private investors is set to grow following the news yesterday that preliminary prospectuses for Agip and Snam should be ready within the next month, writes Haig Simonian.

Mr Gabriele Cagliari, the chairman of ENI, the energy and chemicals group which owns the companies, said that valuation work should be finalised soon. Although ENI had already indicated plans for an initial public offering of shares in Agip and Snam on the Milan and foreign stock exchanges this year, this is the first time it has given any precise indication of the timing.

Both companies are highly profitable. Agip, which is Italy's biggest oil and gas group, announced net earnings of L1,101bn ($908m) on sales of L10,957bn last year. Snam, which specialises in distributing natural gas, made after tax profits of L635bn last year on sales of L11,479bn.

Mr Cagliari gave no indication of how much of the two companies would be floated, although he indicated that the overall transaction should raise around L2,000bn.

IRI, the state-owned group, is is also planning to tap investors later this year.

GE shares dip on fraud allegation

By Martin Dickson in New York

SHARES in General Electric dipped yesterday after it announced the US Defence Department had suspended future aircraft engine contracts with the company because of allegations that it committed fraud in the sale of military jet engines to Israel.

A GE spokesman said the company would appeal against the decision, which it felt lacked both "fair process and merit."

On the New York Stock Exchange, the company's shares stood at $75¾, down $1, at lunchtime.

The Pentagon's action follows a so-called "whistle-blower" suit by a former GE employee alleging that a group of employees in the company's aero engine division conspired with an Israeli general and fraudulently diverted money into his personal accounts to influence Israeli jet engine purchases.

GE fired a top official allegedly involved in the scheme a year ago.

The company said yesterday that since learning of the allegations in December 1990 it had co-operated fully with the Justice Department. It felt the ban was a case of "turning these efforts against us."

The spokesman said the ban did not affect existing contracts. It was not clear how long it might last.

GE is a major supplier of jet engines to the US military, and analysts said a relatively brief ban was unlikely to affect its sales.

The "whistleblower" suit – in which an employee blows the whistle on his colleagues – is one of several which have embarrassed GE in recent years.

In April, another former GE official, who had been dismissed by the company, filed a suit alleging it was conspiring with de Beers, the South African group, to fix the price of industrial diamonds.

Mr Jack Welch, the chairman of GE, has dismissed these claims as "pure nonsense."

NYSE firms post record results

By Patrick Harverson in New York

WALL Street is enjoying unprecedented prosperity, according to figures released yesterday.

They reveal that New York Stock Exchange member-firms earned record after-tax profits of $1.36bn in the first quarter of this year.

The profits were 42 per cent higher than in last year's strong first quarter, when the NYSE's 316 member-firms that do business with the public earned $957m.

The firms' record profits and revenues (which reached $16.5bn in the quarter) were achieved on the back of rising stock prices, large new issue volume and low interest rates, which continued to lure investors into equities from low-yielding financial assets such as certificates of deposit and money market accounts.

The NYSE firms also benefited from their efforts to control costs. Total expenses rose just 0.1 per cent in the quarter to $14.4bn.

The earnings of the NYSE's specialists (the market intermediaries who bring buyers and sellers together) fell during the quarter, however. This was an indication that activity on the exchange floor was lower than the first three months of last year, when volume was temporarily boosted by heavy trading during and after the Gulf war.

Hollinger suffers C$32m loss

By Bernard Simon in Toronto

HOLLINGER, the Canadian listed holding company controlled by Mr Conrad Black, proprietor of the UK's Daily Telegraph newspaper, suffered a first-quarter loss as a result of a write-down in the value of its recently-sold investment in Britain's United Newspapers.

Hollinger sold its 9 per cent stake in United Newspaper in April for substantially less than it paid when it started accumulating the shares in early 1989.

The first-quarter loss was C$31.7m (US$26.4), or 63 cents a share, against earnings of C$17.4m, or 24 cents, a year earlier. Operating earnings fell to C$6.6m from C$11.3m, due to an C$8.1m jump in tax provisions, while revenues rose 9 per cent to C$209m.

Conrad Black: sold stake in United Newspapers

Hollinger said the higher tax provision was due to tax loss carry-forwards at the Telegraph in the first half of 1991. Tax rates are likely to be more similar in the second half.

Losses from the United sale are likely to be more than offset by gains from the forthcoming public offering of 20m shares in the Telegraph group. The Telegraph issue is expected to raise about £75m.

Hollinger has also recently raised C$135m through the sale of four series of preferred shares in Canada as part of its efforts to reduce debt.

● Mr Christopher Ondaatje, the Canadian financier, is bidding to buy back full control of the Toronto investment firm that bears his name, writes Robert Gibbens in Montreal.

Mr Ondaatje was a co-founder of Loewen Ondaatje McCutcheon in 1970, and he is offering C$1.80 a share for all the firm's stock. He sold his original stake late in 1987 at C$9 a share. His bid competes with an offer from two Vancouver businessmen who would buy 28 per cent of the LOM shares from five management shareholders at $1.64 a share.

Gencor unit to close gold mine

By Philip Gawith in Johannesburg

GENGOLD, the gold arm of the Gencor group, is to cease underground operations at its West Rand Consolidated gold mine, in a move which will cost 1,100 workers their jobs.

The announcement provides further evidence of the straitened circumstances of the local gold industry. For years profitability has been squeezed by escalating costs, while revenues have remained flat due to a weak gold price and firm rand/dollar exchange rate.

Last year, Gengold announced the closure of the Stilfontein mine.

A number of other marginal mines in the industry are threatened. The largest of these is Harmony, where up to 8,000 workers are threatened with retrenchment. The National Union of Mineworkers and Rand Mines, which manages Harmony, plan to ask the government next week for state aid for the mine.

At current gold prices, about 12 per cent of South Africa's 600 tonnes per annum gold production is unprofitable. Approximately 15 per cent of the 400,000 miners in the industry work on these mines.

Mr Gary Maude, managing director of Gengold, said everything possible had been done to keep the mine profitable. He said half the mine's skilled employees had been offered employment at other operations.

During the life of the mine, to the end of 1991, it produced 614 tonnes of gold. Total pre-tax income was R202m ($71.4m), of which R65m was paid in taxes and R71m in dividends.

Mr Maude said if the gold price recovered sufficiently in the next two and a half years to make some of the mines reserves payable again, mining could be restarted.

Bell Canada places C$1bn switch order

By Robert Gibbens in Montreal

BELL Canada, the country's biggest telecommunications utility and the main subsidiary of BCE, has ordered C$1.1bn (US$910m) of digital switching equipment from Northern Telecom to accelerate modernisation of the eastern Canada local network.

The programme will be spread over two years. The new equipment will allow Bell Canada to introduce new services and boost revenues.

The equipment includes Northern's DMS computerised switches, which are marketed worldwide. Bell Canada has already converted its long-distance operations to DMS.

The contract will bolster Northern's revenues in 1992 and 1993, countering the impact of the recession on the domestic equipment market. Last year, Northern had total revenues worldwide of C$8.2bn. BCE's consolidated revenues were nearly C$20bn.

BCE says it will not launch an appeal if federal regulators later this month decide to open up Bell Canada's monopoly of domestic long-distance telephone traffic in eastern Canada. "If competition is the name of the game, then let's have it," said Mr Lynton Wilson, BCE president.

Several groups want to compete with Bell Canada in the long-distance market, including Unitel, owned by Rogers Communications, and Canadian Pacific.

Proton increases profits 39% to M$259m for year

PERUSAHAAN Otomobil Nasional (Proton), Malaysia's national carmaker, hoisted after-tax profits by 39 per cent to M$259.38m (US$103.75m) for the year to March 31 from M$187.02m a year earlier, agencies report.

The company said it expected an increase in after-tax profit for the current year.

Pre-tax profit jumped 56 per cent to M$407.88m from M$261.47m, while turnover advanced 23 per cent to M$2.19bn from M$1.79bn, following plant improvement and support from its local and overseas dealers.

Proton, which was listed last March, plans to produce 107,000 units this year, up from 102,000 in 1991.

The pre-tax profit exceeded the M$406.6m forecast in its share offer prospectus.

Much of the surge in pre-tax profit resulted from the company's relief from deferred foreign-exchange losses, which had been fully amortised in the last financial year. In that year, Proton spent M$130m to pay off the exchange losses.

An improvement in the output of its car plant and strong demand from its distributors also helped boost profit, Proton said.

Proton, which is 17 per cent owned by companies in Japan's Mitsubishi group, builds variants of a passenger car model based on the Mitsubishi Lancer.

PosGold bids for rest of Mt Leyshon

POSEIDON Gold has made a takeover offer worth A$187.95m (US$144.5m) for the 55.5 per cent stake it does not already own in gold miner Mt Leyshon Gold Mines, Reuter reports.

PosGold, 67 per cent owned by Normandy Poseidon, said it would offer nine PosGold shares, five PosGold options and A$1.00 cash for every five shares held in Mt Leyshon, valuing Mt Leyshon at about A$2.38 per share, based on PosGold's Monday price of A$1.12 and 1994 options of 17 cents.

The takeover follows a failed merger deal by PosGold for Mt Leyshon, when it offered nine shares, A$1.50 in cash and five 1994 options for every five Mt Leyshon shares.

NZ Telecom beats target for year

By Terry Hall in Wellington

TELECOM Corporation of New Zealand yesterday unveiled a 21 per cent rise in net profit to NZ$402.3m (US$216.1m) for the year to March 31, slightly above the target of NZ$401m set during last year's international share float.

Mr Peter Shirtcliffe, chairman, said the result was achieved despite sluggish economic conditions and increasing competition. Telecom lifted revenue 5.6 per cent to NZ$2.57bn, with the biggest growth coming from the sale of directories and the provision of cellular and other new services. Combined revenue from these operations jumped 26 per cent to NZ$671m, boosted by new "smart phone" and free national dialling 0800 numbers.

Competition from rival Clear Communications held growth in revenue from national calls to 1.1 per cent, or to NZ$548.6m. The company handled 10 per cent more national calls during the year.

Telecom's revenue on local services fell 11.5 per cent to NZ$840.7m. It maintains it must subsidise these services as increases in charges are limited by the "Kiwi share" agreement with the government.

Mr Tom Burns, acting chief executive, said the company was "sitting on a gold mine" of cost reductions based on new technology introduction.

He said Telecom would cut a further 1,200 jobs in the 1992-93 year, after a 9 per cent drop from 13,562 in the past year.

Telecom ended the year with a cash surplus of NZ$76m after two years of deficits. It is to pay a final dividend of 6.5 cents a share, making a total 13 cents for the year.

Warner Music cools opposition to launch of Mini Disc

By Patrick Harverson in New York

IN A sudden reversal of policy, Warner Music Group yesterday offered its conditional support to Sony's new Mini Disc audio technology format just one day after apparently withholding that support.

Mr Robert Molgado, chairman of Warner Music, a division of US entertainment giant Time Warner, said the US label wanted to release titles on Mini Disc and participate in the product's launch later this year.

That commitment, however, was conditional on Warner receiving further responses from Sony and from other equipment manufacturers that address Warner's concerns about the effect of the new audio technology on sales of compact disks.

Even with the conditions, Mr Delgado's comments represent a turnround for Warner.

Only a few days earlier, the US label appeared to rebuff Sony when it said the relative merits of the Mini Disc and its main rival, the digital compact cassette soon to be launched by Dutch group Philips, were still under review.

Until that first announcement Sony had been confident that Warner would commit its powerful roster of stars to Mini Disc, a portable recording and playback system which the Japanese group hopes will become the main successor to the analog cassette tape.

For Mini Disc players to succeed, Sony must offer a wide range of music titles to potential buyers when the product first hits the market later this year.

Warner's change of heart yesterday is believed to have followed ministrations from senior Sony executives, who reportedly protested vigorously on Monday about the US label's luke-warm support for Mini Disc.

S&P downgrades debt rating on four US airlines

By Nikki Tait in New York

STANDARD & Poor's, the US credit rating agency, has downgraded debt securities at four of the largest US airlines – a decision which, it said, reflected the weak economic recovery and the domestic fares wars.

S&P had placed the ratings of the seven leading non-bankrupt US carriers on credit watch, with a view to a possible downgrading, in late-April.

The airlines affected by the downgradings are American, Delta, Northwest and USAir. S&P said it was still talking to management at United Airlines, and that ratings of UAL, United's parent company, remained on credit watch "with negative implications".

Of the four downgraded carriers, S&P said it believed only one – American – had "a chance to earn a profit in 1992". It added that all should report "greatly improved earnings over the next several year," but suggested "the improvement in credit measures will be restrained by a heavy fixed charge burden".

At present, S&P said, the rating outlooks on all four carriers remained negative – suggesting that ratings could fall again if "economic weakness and/or fare competition prevents a return to levels of profitability".

American attempted to overhaul the domestic fare structure earlier this spring, but its initiative has since been hit by undercutting. Commenting, S&P said that "the new fare structure initiated by American in April has improved the mix of tickets sold but stimulation of business traffic and shifts in market share have been modest.

"While airline managements disagree about the profit impact of the new structure, most believe it will cause a net loss of revenue. More recent leisure fare cuts will further dilute revenues in the coming months, despite a flood of bookings," S&P said.

In the downgradings, the senior debt at AMR, American's parent, and American Airlines was cut from BBB+ to BBB, for example; senior debt at Delta fared similarly; at Northwest, it was cut from B+ to B; and at USAir the senior secured debt was reduced from BB to BB-, and the unsecured senior debt from BB to B+.

● TWA, the bankrupt US carrier owned by Mr Carl Icahn, is laying off 300 employees at its maintenance base in Kansas City.

The airline, which made operating losses of over $100m in the first three months of 1992, employs 4,000 workers at the base.

TWA said the "furloughs" – temporary layoffs which can be reversed – reflected a reduction in contract work from other carriers.

Citicorp Canada president to retire

By Bernard Simon in Toronto

MR RICK COPELAND, president of Citicorp's Canadian subsidiary, is taking early retirement, apparently as a result of the bank's large exposure to Olympia & York, the troubled Toronto-based developer.

A Citibank spokesman said Mr Copeland was leaving "to pursue other interests". He will remain until a successor is named. Sources within the bank said staff had been given the news earlier by Mr Copeland's New York-based superior, Mr Alan McDonald.

Citibank Canada has an exposure to O&Y, both in its own capacity and as an agent, totalling about C$800m (US$666.6m). Citicorp's operations in other countries have also been heavy lenders to troubled real estate developers, including the UK property group, Mountleigh, which collapsed last week.

Citibank Canada is the second largest foreign-owned bank in Canada, with assets of C$5.5bn on January 31. However, even before the O&Y problems, its performance had been lacklustre. The bank earned C$5.1m in the first quarter, giving a return on equity of only 4.2 per cent. The full extent of losses from O&Y is likely to be more apparent in results for the second quarter, which ended on April 30.

Citicorp said in a recent submission to the US Securities and Exchange Commission it had written off US$101m of loans to O&Y and classified the remaining US$279m as non-performing.

Mr Copeland, 50, has worked for Citicorp since he graduated in 1967.

Cypress in venture with chip-maker

By Louise Kehoe in San Francisco

CYPRESS Semiconductor has reached an agreement with QuickLogic, a small Silicon Valley chip-maker, that will provide Cypress with a new range of application specific semiconductor products.

The companies will work together to develop products, technology and design tools for Field Programmable Gate Array (FPGA) chips, devices that can be rapidly customised by an electronic equipment manufacturer.

For Cypress, the agreement with QuickLogic represents an opportunity to expand its product line into a potentially more profitable segment of the semiconductor market.

The deal calls for Cypress to manufacture QuickLogic's FPGA chips, which both companies will then offer for sale. The deal also gives Cypress rights to QuickLogic's current products as well as future products developed by QuickLogic or jointly by the two companies. In return, QuickLogic gets guaranteed production capacity at Cypress.

Porsche to shed another 850 jobs as sales slide

By Christopher Parkes in Stuttgart

PORSCHE, Germany's fading star of the luxury sports car business, is to shed a further 850 jobs in the coming financial year. Together with other economies, including "killing sacred cows" in management and production methods, the cuts will reduce operating costs by DM100m ($61.3m) in 1992-93, Mr Arno Bohn, chairman, said yesterday.

The job losses, which will include 300 production workers and bring the workforce down to around 7,000, follow a cut of 950 in the year to July 1992.

Despite the dire state of the international market for the group's cars and a 25 per cent drop in sales to DM2.5bn, Porsche will still show a profit for 1991-92, Mr Bohn said.

Pre-tax earnings in the first half slumped 97 per cent to DM2m on sales of DM1.1bn.

The company could break even on sales of 21,000 cars, Mr Bohn added. Deliveries in the current year totalled 22,000, compared with around 26,000 a year earlier and about 50,000 in the mid-1980s. Production was expected to fall "slightly" next year. Production lines are currently working at just over 60 per cent of capacity.

At present there were no real signs of improvement in international markets. "The desire to buy luxury goods is not there," Mr Bohn said. "And there are problems with the social acceptability of cars costing DM100,000 or more."

The US, which once imported 30,000 Porsches a year, has taken just 4,000 this year, after 6,100 in 1990-91.

Germany is now the mainstay of the business, with sales of 8,000 cars this year. In Britain, the figure is around 1,200 compared with 2,000. Sales in Japan have risen by about one-third to about 3,300.

Meanwhile, Mr Bohn stressed that despite offers from Mercedes-Benz and others, the family-controlled company is still not for sale. "The independence of Porsche is the central aim of the family and the board," he said.

More concerned with survival than bidding for glory, the company has no plans to re-enter Formula 1 racing from which it withdrew in 1989. Mr Bohn estimated racing at that level now costs DM250m a year "without a driver". Last year, Porsche spent less than DM20m on motor sport sponsorship.

Buderus plans to raise DM165m

By David Waller in Frankfurt

BUDERUS, the German building materials, heating and kitchen equipment and stainless steel producer 99 per cent owned by Metallgesellschaft, the mining and industrial group, is raising DM165m ($101.2m) via a share issue.

The new shares were offered for sale yesterday by a consortium of seven banks, led by Deutsche Bank, at DM430 a share.

This is the first of several "spin-offs" to be launched by Metallgesellschaft following the purchase last year of the non-paper activities of Feldmühle Nobel from Stora of Sweden for DM1.45bn.

It is likely that the next partial flotation, probably of the Dynamit Nobel plastics and explosives business, will take place later this year.

Metallgesellschaft, which owns the stake in Buderus via 80-per cent controlled MG Industriebeteiligungen, will not be taking up its entitlement to new shares. Together with two German banks which own the remaining 20 per cent of the holding company, Metallgesellschaft will receive some DM50m as a result.

One reason for the flotation is to make the company's shares more widely available. The company also wants the cash to strengthen its capital base and help finance planned capital investment of DM450m in 1992 and 1993.

Buderus had a turnover of nearly DM2.9bn in 1991. For the nine months to end-September, it expects sales of DM2.1bn and pre-tax profits of DM124m. The dividend for the nine-month period will be DM9 per share.

Austrian Industries may delay flotation

By Eric Frey in Vienna

STATE-owned Austrian Industries (AI) may be forced to postpone plans to go public next year because of heavy losses at its aluminium arm, Austria Metall (AMAG).

Metall is expected to suffer combined operating losses of Sch3bn ($264m) in 1991 and 1992, according to Mr Hugo Michael Sekyra, chairman of AI.

AI has already gone through one postponement of an initial offering because of poor results at Voest Alpine, its steel subsidiary. It is widely suspected that a further delay could derail the whole privatisation concept of the Austrian government.

Mr Sekyra said yesterday he might still try to go ahead with AI's initial offering by excluding AMAG from the group while the aluminium company is being restructured.

AI will inject about Sch3bn into AMAG as a temporary bridge, but Mr Sekyra said AMAG had to cover its losses.

The profitable packaging division, European Packaging Holding, could be floated in a public offering, he said.

● The Sch1.8bn initial public stock offering of the Vienna International Airport (VIE) has closed early because of heavy oversubscription.

KIO more cautious, says former executive

By David Owen

THE KUWAIT Investment Office (KIO) is now managing only $25bn to $30bn of assets – about half the total of two years ago.

According to a former senior executive, the London-based body, which sold most of its 10.5 per cent stake in Midland Bank just as a takeover battle was brewing, intends to pursue a cautious investment strategy under Mr Ali Albader, its new president. The strategy will be more in keeping with the activities of a typical pension fund.

The former executive did not indicate whether the assets no longer managed by the KIO had been spent on the war against Iraq and the subsequent rebuilding effort, or transferred to other Kuwaiti investment institutions.

However, he referred to comments in November by Mr Abdullah al-Gabandi, managing director of the Kuwait Investment Authority, the KIO's parent, predicting Kuwait would have paid off its $22bn debt for Operation Desert Storm by the end of 1991. Mr al-Gabandi indicated the money had been raised mainly from the disposal of liquid assets, including government bonds and bank deposits.

He said the organisation, which handles a large part of Kuwait's extensive foreign assets, sold the Midland shares because it wanted to avoid any controversy which may have arisen from it taking sides in a battle between Lloyds Bank and Hongkong & Shanghai Banking Corporation.

This type of caution could mean the KIO will be reluctant to take more than a 3 per cent stake – the level at which an interest must be disclosed – in any quoted UK company.

It would preclude moves such as its purchase of 21.7 per cent of BP when the UK government's sale of its remaining stake was hit by the October 1987 stock market crash. BP bought back enough shares to cut the KIO stake to 9.9 per cent, in line with a government divestment order.

Miscalculation calls time on an era at Foster's

Kevin Brown outlines the rise and fall of an Australian entrepreneur

Trevor Humphries

Elders statesman: John Elliott, linked to group since 1972

THE appointment of receivers to International Brewing Investments (IBI) marks the end of Mr John Elliott's role as a significant influence on Foster's Brewing Group, and the downfall of another of Australia's best-known entrepreneurs.

However, Mr Elliott remains in a different class to entrepreneurs such as Mr Alan Bond, the former chairman of Bond Corporation Holdings, who was jailed for two-and-a-half years last week after being convicted of dishonesty.

Mr Elliott is guilty only of misjudgment, primarily in relation to the 1989 buy-out of Foster's shares. That decision left his private company lumbered with A$2.6bn (US$1.96bn) debt acquired to finance shares worth about A$1.6bn.

He built Foster's into the world's fourth-largest brewing group. However, he also acquired an ill-judged assortment of property, finance, and pastoral businesses which were to prove highly vulnerable to recession.

The non-core assets were largely responsible for a record A$1.3bn loss in 1989-90 which triggered the removal of Mr Elliott from Foster's day-to-day management. They remain a serious problem for Foster's, which has been unable to find buyers for non-brewing assets worth about A$2.8bn.

Mr Elliott's involvement with the group which is now Foster's began in 1972, when he acquired Henry Jones (IXL), a small South Australian jam-maker. He used it as a vehicle to take over bigger companies such as Elder Smith Goldsbrough Mort, later called Elders IXL.

A pivotal decision was made in 1984 when he orchestrated a takeover of the much larger Carlton & United Breweries, the manufacturer of Foster's lager.

In 1988, Mr Elliott and BHP agreed on a substantial cross-shareholding which was designed to protect both companies from bids by the late Mr Robert Holmes à Court, the Australian corporate raider.

Mr Elliott's luck changed in May 1989 when Harlin Holdings, a private company controlled by Foster's executives, sought to buy an 18 per cent stake in Elders IXL as a further defence against Mr Holmes à Court.

Harlin, now known as International Brewing Holdings, misjudged demand from small shareholders and was forced to acquire 56 per cent of Foster's, using borrowed funds which it could not repay.

Harlin's financial instability worsened when it became clear that the dividend stream from the Foster's shares – its only asset – would not be sufficient to pay interest on its debt.

That debt trap, combined with Foster's losses and write-downs on non-core assets, contributed to a downward spiral in Foster's share price which left Harlin technically insolvent.

Mr Elliott resigned as chief executive of Elders in May 1990, but remained as chairman until November when he was replaced by Mr Nobby Clark, a former chairman of National Australia Bank.

IBH later sold a 17 per cent stake in Foster's to Asahi Brewing. It has since suggested several plans to extract value from the group through a break-up, but has failed to convince other shareholders.

Mr Elliott's last hope of disentangling IBH from Foster's was a merger proposal put forward last month by SA Brewing, which contained special provisions for IBH. However, BHP has clearly lost patience.

Austrian bank supports $110m Polish investment

By Christopher Bobinski in Warsaw

CREDITANSTALT has said it will be participating in a new investment fund, the Polish Private Equity Fund, which has initial capital of $110m.

The Austrian bank will be contributing up to $10m, while the European Bank for Reconstruction and Development (EBRD) has approved an investment of $50m. Another $50m will come from the Polish American Investment Fund (PAEF), a non-profit organisation based on venture capital principles.

The new fund also intends to invest in small and medium private business and hopes to raise another $40m to $45m in funds from private institutional investors. It will be managed in Warsaw.

Ecofin launches $75m environmental fund

By Hilary de Boerr

ECOFIN, the London-based environmental financial services specialist, has launched an environmental fund worth about $75m, coinciding with the start of the Earth Summit in Brazil.

The Environmental Investment Company, a closed-end fund aimed at institutions, will invest in environmental services and technologies sector companies. It will concentrate on small and medium-sized companies, and on Europe and the US. Up to one-fifth of the fund will be invested in unquoted companies.

Ecofin Fund Management acts as investment manager and Ecofin, its research arm, as adviser, with Swiss Bank Corporation as lead-managers and market-makers.

Notice of meeting of Creditors.
BRESSEL INVESTMENTS LIMITED
(Joint Administrative Receivers Appointed)

NOTICE IS HEREBY GIVEN, in pursuance to Section 48 of the Insolvency Act 1986, that a meeting of Creditors of the above company will be held at The Grand Hotel, Colmore Row, Birmingham on 10 June 1992 at 11.00 am, for the purposes mentioned in Section 48 and 49 of the said Act. A person is only entitled to vote at this meeting if:
(a) details in writing of the debts claimed to be due from the company have been given to us, not later than 12.00 noon on the business day next before the meeting, and;
(b) such claim has been duly admitted, and;
(c) there has been lodged with us any proxy which is intended to be used on your behalf at the meeting.
Any creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. If you wish to participate in the meeting of creditors, would you please forward details of your claim against the company, if you have not already done so, and any proxy which you wish to be used on your behalf, to the offices of Cork Gully at 43 Temple Row, Birmingham B2 5JT. In pursuance of Section 48(2)(b) of the Insolvency Act 1986, any creditor wishing to receive a copy of the Joint Administrative Receivers report should apply in writing to the above address. Please note that the directors will not be present at this meeting.
Dated this 27 May 1992
J F Powell, Joint Administrative Receiver

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 9 June 1992

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 9 June 1992. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 11 June 1992 and will be in the following maturities:
ECU 300 million for maturity on 16 July 1992
ECU 300 million for maturity on 10 September 1992
ECU 400 million for maturity on 10 December 1992

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 9 June 1992. Payment for Bills allotted will be due on Thursday, 11 June 1992.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 11 June 1992 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 10 December 1992. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
2 June 1992

LEGAL NOTICES

NOTICE OF CLOSURE OF REGISTER OF MEMBERS

TSB Bank Channel Islands Limited

Notice is hereby given pursuant to Article 24.06 of the Articles of Association of the Company that the Register of Members of the Company will be closed at *9.00a.m. on 4 June, 1992 and will be re-opened at 9.00a.m.* on 11 June, 1992.

Registered Office:
25 New Street
St. Helier
Jersey JE4 8RZ
Channel Islands

By order of the Board
L.P. Bechelet
Company Secretary

Notice of Meeting of Creditors
HARDANGER DEVELOPMENTS LIMITED
(Joint Administrative Receivers Appointed)

NOTICE IS HEREBY GIVEN, in pursuance to Section 48 of the Insolvency Act 1986, that a Meeting of Creditors of the above company will be held at The Grand Hotel, Colmore Row, Birmingham on 10 June 1992 at 11.00 am, for the purpose mentioned in Section 48 and 49 of the said Act.
A person is only entitled to vote at this meeting if
(a) details in writing of the debts claimed to be due from the company have been given to us, not later than 12.00 noon on the business day next before the meeting, and;
(b) such claim has been duly admitted, and;
(c) there has been lodged with us any proxy which is intended to be used on your behalf at the meeting.
Any creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. If you wish to participate in the meeting of creditors would you please forward details of your claim against the company, if you have not already done so, and any proxy which you wish to be used on your behalf, to the offices of Cork Gully at 43 Temple Row, Birmingham B2 5JT. In pursuance of Section 48(2)(b) of the Insolvency Act 1986, any creditor wishing to receive a copy of the Joint Administrative Receiver report should apply in writing to the above address. Please note that the directors will not be present at this meeting.
Dated this 27 May 1992
J F Powell, Joint Administrative Receiver

Notice of meeting of Creditors.
HARDANGER INVESTMENTS (SOUTHERN) LIMITED
(Joint Administrative Receivers Appointed)

NOTICE IS HEREBY GIVEN, in pursuance to Section 48 of the Insolvency Act 1986, that a meeting of Creditors of the above company will be held at The Grand Hotel, Colmore Row, Birmingham on 10 June 1992 at 11.00 am, for the purposes mentioned in Section 48 and 49 of the said Act. A person is only entitled to vote at this meeting if:
(a) details in writing of the debts claimed to be due from the company have been given to us, not later than 12.00 noon on the business day next before the meeting, and;
(b) such claim has been duly admitted, and;
(c) there has been lodged with us any proxy which is intended to be used on your behalf at the meeting.
Any creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. If you wish to participate in the meeting of creditors, would you please forward details of your claim against the company, if you have not already done so, and any proxy which you wish to be used on your behalf, to the offices of Cork Gully at 43 Temple Row, Birmingham B2 5JT. In pursuance of Section 48(2)(b) of the Insolvency Act 1986, any creditor wishing to receive a copy of the Joint Administrative Receivers report should apply in writing to the above address. Please note that the directors will not be present at this meeting.
Dated this 27 May 1992
J F Powell, Joint Administrative Receiver

Notice of meeting of Creditors.
APHAX PROPERTIES LIMITED
(Joint Administrative Receivers Appointed)

NOTICE IS HEREBY GIVEN, in pursuance to Section 48 of the Insolvency Act 1986, that a meeting of Creditors of the above company will be held at The Grand Hotel, Colmore Row, Birmingham on 10 June 1992 at 11.00 am, for the purposes mentioned in Section 48 and 49 of the said Act. A person is only entitled to vote at this meeting if:
(a) details in writing of the debts claimed to be due from the company have been given to us, not later than 12.00 noon on the business day next before the meeting, and;
(b) such claim has been duly admitted, and;
(c) there has been lodged with us any proxy which is intended to be used on your behalf at the meeting.
Any creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. If you wish to participate in the meeting of creditors, would you please forward details of your claim against the company, if you have not already done so, and any proxy which you wish to be used on your behalf, to the offices of Cork Gully at 43 Temple Row, Birmingham B2 5JT. In pursuance of Section 48(2)(b) of the Insolvency Act 1986, any creditor wishing to receive a copy of the Joint Administrative Receivers report should apply in writing to the above address. Please note that the directors will not be present at this meeting.
Dated this 27 May 1992
J F Powell, Joint Administrative Receiver

Notice of meeting of Creditors.
KNITPRINT FABRICS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at The Leicestershire & County Chamber of Commerce, 4-6 New Street, Leicester on 12 June 1992 at 10.30 am, for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said act, the meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to vote if: they have delivered to me at Cork Gully, Abacus House, 32 Friar Lane, Leicester LE1 5RA, no later than noon on 11 June 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and there has been lodged with me any proxy which the creditor intends to be used on his or her behalf. Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.
Dated this 28th day of May 1992
L Robert Bailey, Joint Administrative Receiver

Notice of appointment of Administrative Receiver
C & S Controls Limited
Registered number: 1055407
Nature of business: Electrical Control Panel Manufacturers Trade classification: 07. Date of appointment of administrative receiver(s): 14 May 1992. Name of person appointing the administrative receiver(s): National Westminster Bank Plc.
N J Vaught & J M Iredale Joint Administrative Receivers office holder no(s) 6339 and 2104. Address Melrose House, 42 Dingwall Road, Croydon, Surrey CR0 2NE

Notice of meeting of Creditors.
WORSLEY HOMES LIMITED
(Joint Administrative Receivers Appointed)

NOTICE IS HEREBY GIVEN, in pursuance to Section 48 of the Insolvency Act 1986, that a meeting of Creditors of the above company will be held at The Grand Hotel, Colmore Row, Birmingham on 10 June 1992 at 11.00 am, for the purposes mentioned in Section 48 and 49 of the said Act. A person is only entitled to vote at this meeting if:
(a) details in writing of the debts claimed to be due from the company have been given to us, not later than 12.00 noon on the business day next before the meeting, and;
(b) such claim has been duly admitted, and;
(c) there has been lodged with us any proxy which is intended to be used on your behalf at the meeting.
Any creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. If you wish to participate in the meeting of creditors, would you please forward details of your claim against the company, if you have not already done so, and any proxy which you wish to be used on your behalf, to the offices of Cork Gully at 43 Temple Row, Birmingham B2 5JT. In pursuance of Section 48(2)(b) of the Insolvency Act 1986, any creditor wishing to receive a copy of the Joint Administrative Receivers report should apply in writing to the above address. Please note that the directors will not be present at this meeting.
Dated this 27 May 1992
J F Powell, Joint Administrative Receiver

Notice of meeting of Creditors.
KEYSHIRE BUILDERS LIMITED
(Joint Administrative Receivers Appointed)

NOTICE IS HEREBY GIVEN, in pursuance to Section 48 of the Insolvency Act 1986, that a meeting of Creditors of the above company will be held at The Grand Hotel, Colmore Row, Birmingham on 10 June 1992 at 11.00 am, for the purposes mentioned in Section 48 and 49 of the said Act. A person is only entitled to vote at this meeting if:
(a) details in writing of the debts claimed to be due from the company have been given to us, not later than 12.00 noon on the business day next before the meeting, and;
(b) such claim has been duly admitted, and;
(c) there has been lodged with us any proxy which is intended to be used on your behalf at the meeting.
Any creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. If you wish to participate in the meeting of creditors, would you please forward details of your claim against the company, if you have not already done so, and any proxy which you wish to be used on your behalf, to the offices of Cork Gully at 43 Temple Row, Birmingham B2 5JT. In pursuance of Section 48(2)(b) of the Insolvency Act 1986, any creditor wishing to receive a copy of the Joint Administrative Receivers report should apply in writing to the above address. Please note that the directors will not be present at this meeting.
Dated this 27 May 1992
J F Powell, Joint Administrative Receiver

Notice of meeting of Creditors.
GOLDREACH PROPERTIES LIMITED
(Joint Administrative Receivers Appointed)

NOTICE IS HEREBY GIVEN, in pursuance to Section 48 of the Insolvency Act 1986, that a meeting of Creditors of the above company will be held at The Grand Hotel, Colmore Row, Birmingham on 10 June 1992 at 11.00 am, for the purposes mentioned in Section 48 and 49 of the said Act. A person is only entitled to vote at this meeting if:
(a) details in writing of the debts claimed to be due from the company have been given to us, not later than 12.00 noon on the business day next before the meeting, and;
(b) such claim has been duly admitted, and;
(c) there has been lodged with us any proxy which is intended to be used on your behalf at the meeting.
Any creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. If you wish to participate in the meeting of creditors, would you please forward details of your claim against the company, if you have not already done so, and any proxy which you wish to be used on your behalf, to the offices of Cork Gully at 43 Temple Row, Birmingham B2 5JT. In pursuance of Section 48(2)(b) of the Insolvency Act 1986, any creditor wishing to receive a copy of the Joint Administrative Receivers report should apply in writing to the above address. Please note that the directors will not be present at this meeting.
Dated this 27 May 1992
J F Powell, Joint Administrative Receiver

PERSONAL

FINANCIAL TIMES

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

READER SURVEY

At the Financial Times it is important for us to know more about you, our readers, so that we can continue to produce a better newspaper for you. Whether you read the Financial Times regularly or only occasionally we would be grateful if you could help us by completing and returning this questionnaire. The survey results will be used by both our editorial and marketing departments.

Your reply will be treated in strictest confidence by RSL, a leading independent market research company. For each reply we receive we will make a donation of one US dollar to a selected charity as a token of appreciation for your help.

Please complete and return the questionnaire using the folding instructions on the reverse.

Thank you for your help.

Yours sincerely,

David Palmer
Chief Executive
Financial Times

ABOUT YOUR READING OF THE FINANCIAL TIMES

PLEASE ANSWER THE QUESTIONS BY PUTTING A ✓ IN THE APPROPRIATE BOX, OR BY WRITING IN THE SPACE PROVIDED.

Q1 How often do you usually read or look at (cc.1)
a) The Monday to Friday copies of the Financial Times?
b) The Saturday Financial Times?

	(a) Monday to Friday FT	(b) Saturday FT
Very frequently – at least 4 issues out of 5	1 (12)	1 (13)
Quite often – 2 or 3 issues out of 5	2	2
Less often	3	3
Never	4	4

Q2 Where do you usually read the Financial Times? (PLEASE TICK ANY THAT APPLY)

	(a) Monday to Friday FT	(b) Saturday FT
At work	1 (14)m	1 (15)m
At home	2	2
While travelling	3	3
Elsewhere	4	4

Q3 How many other people usually see your copy of the Financial Times?

	(a) Monday to Friday FT	(b) Saturday FT
One	1 (16)	1 (17)
Two	2	2
Three	3	3
Four	4	4
Five or more	5	5
No-one else	0	0

Q4a The Financial Times recently modified the layout of the first section of the newspaper. Did you notice any difference in layout?

Yes 1   No 2 (58)

Q4b If yes, how do you find the new layout?

- Better than the previous layout 1 (59)
- Not as good as the previous layout 2
- Makes little difference either way 3

ABOUT TRAVEL

Q5 Approximately how many international air trips have you taken, in the last 12 months? (PLEASE COUNT A RETURN OR ROUND TRIP AS ONE)

	(a) On Business	(b) For Pleasure
None	0 (18)	0 (19)
1 - 2	1	1
3 - 5	3	3
6 - 9	6	6
10 - 20	8	8
21+	9	9

Please answer Q6 - Q9 if you have travelled on business, if not please go to Q10.

Q6. For business trips, which class of air travel do you usually fly?

- First 1
- Business/Club Class 2
- Economy 3 (20)m

Q7 Which of the following destinations outside your country of residence have you flown to on business in the last 12 months? (PLEASE TICK ANY THAT APPLY)

Belgium	1 (21)m	Middle East/North Africa	1 (23)m
France	2	Other Africa	2
Germany	3	USA	3
Italy	4	Canada	4
Netherlands	5	Central/South America	5
Nordic Block	6	Japan	6
Spain	7	Hong Kong	7
Switzerland	8	Singapore	1 (24)m
United Kingdom	9	Other Asia	2
Other Western Europe	1 (22)m	Australasia/South Pacific	3
CIS/Other Eastern Europe	2		

Q8 Approximately how many nights have you spent in hotels on business in the last 12 months?

- None 0
- 1 - 14 nights 1
- 15 - 29 nights 2 (25)
- 30 or more nights 3

Q9 Approximately how many times have you rented a car on business in the last 12 months?

- None 0
- 1 - 2 1
- 3 - 6 2 (26)
- 7 or more 3

ABOUT YOUR OCCUPATION

Q10 What is your working status?

- In full-time employment 1
- In part-time employment 2
- Retired 3 (27)
- Other 0

If you are not working, please go to Q17.

Q11 What is the principal activity of the company or organisation for which you work? (PLEASE BE SPECIFIC eg aircraft manufacturing, investment banking, medical research, management consultancy, etc).

____________________ (28 - 30)

Q12 Which of these best describes the position you hold?

Owner/Partner	1 (31)	Junior Executive	1 (32)
Chairman/President/CEO	2	Technical Specialist/Engineer	2
Managing Director/General Manager	3	Politician/Government Minister	3
CFO/Finance Director	4	Diplomat/Senior Government Officer	4
Director/Vice President	5	Consultant	5
Other Director	6	Other Professional	6
Department Head	7	Other (WRITE IN)	7
Middle Manager	8		

Q13 In which, if any, of these areas are you wholly or partly responsible for company decision-making? (PLEASE TICK ANY THAT APPLY).

- Domestic Banking Services 1 (33)m
- International Banking Services 2
- Accountancy Services 3
- Insurance Services 4
- Corporate Finance 5
- Money Market/Foreign Exchange Management 6
- Mergers & Acquisitions 7
- Legal Services 8
- Management Consultancy Services 1 (34)m
- Executive Recruitment 2
- Company Travel Services 3
- Management Training/Courses 4
- Conferences, Exhibitions, Trade Fairs 5
- Courier or Freight Systems 6
- Advertising, Marketing, PR Services 7

Q14 Does your job responsibility involve taking decisions about the purchase, leasing or use of any of the following goods or services, eg specifying the brand or supplier, or authorising the purchase?

Main Frame Computers/Network Systems	1 (35)m	Company Car Fleet(s)	1 (36)m
Personal Computers	2	Company Vans/Trucks	2
Computer Peripherals	3	Business Premises/Industrial Sites	3
Software	4	Industrial Components	4
Photocopiers	5	Industrial Plant and Equipment	5
Telecommunications Products and Services	6	Raw Materials/Chemicals	6

Q15 How many people are employed at the address at which you work?

- Under 10 1
- 10 - 49 2
- 50 - 249 3
- 250 - 999 4 (37)
- 1,000 - 4,999 5
- 5,000 or more 6

Q16a Does your company also operate outside the country in which you are based?

Yes 1   No 2 (38)

Q16b If yes, do you have involvement in any of the company's international operations?

Yes 1   No 2 (39)

$ MAKE YOUR COMMENT COUNT $

ABOUT YOU AND YOUR HOUSEHOLD

Q17 How many cars do you have in your household, including company owned or leased cars?

- None 0
- One 1
- Two 2 (40)
- Three or more 4

Q18 Which, if any, of the following items do you have at home?

Desk Top Computer	1	Video Camera/Camcorder	4 (41)m
Portable/Lap-top Computer	2	Mobile Telephone	5
Fax Machine	3	Car Telephone	6

Q19 Which of the following do you yourself drink or have in the home?

Imported Beers	1 (42)m	Cognac/Armagnac	1 (43)m
Wine	2	Liqueurs	2
Champagne	3	Rum	3
Whisky/Whiskey	4	Port	4
Vodka	5	Sherry	5
Gin	6	Vermouth	6

Q20 Which, if any, of these cards do you use nowadays for business or personal expenditure?

- Access/MasterCard/Eurocard (Gold) 1 (44)m
- Access/MasterCard/Eurocard 2
- American Express (Platinum or Gold) 3
- American Express (Green) 4
- Diners Club 5
- Visa/Barclaycard (Gold or Premier) 6
- Other Visa/Barclaycard 7

Q21 Which, if any, of the following types of investment do you or other members of your household own?

- Shares or options in the company for which you work 1 (45)m
- Stocks and shares quoted on your national exchange(s) 2
- Stocks and shares quoted only on foreign exchanges 3
- Stocks and shares in unquoted companies 4
- Government Securities 5
- Eurobonds/Other bonds 6
- Unit Trusts/Mutual Funds 7
- Commodity Futures/Options 8
- PEPs 1 (46)m
- Investment Trusts 2
- Offshore Investments 3
- Gold/Precious Metals/Gems (as an investment) 4
- Bank/Building Society Savings Account 5
- Life Assurance 6
- Property (other than main home) 7
- Collectables (art, antiques, coins, etc) 8

Q22 How often, if at all, have you personally (or a broker/banker on your behalf) bought or sold stocks or shares on any exchange in the last 12 months?

- Once 1
- 2 - 3 times 2
- 4 - 8 times 4
- 9+ times 8 (47)
- Not traded 0

Q23a What is your country of residence?
(PLEASE WRITE IN) __________ (48-49)

Q23b What is your country of citizenship?
(PLEASE WRITE IN) __________ (50-51) (52-53)

Q24 Are you ... Male 1   Female 2 (54)

Q25 How old are you?

- Under 25 1
- 25 - 34 2
- 35 - 44 3
- 45 - 54 4 (55)
- 55 - 64 5
- 65 or over 6

Q26 Into which of the following broad ranges does your personal gross income from all sources fall?

- Up to US $34,999 1
- US $35,000 - 64,999 2
- US $65,000 - 109,999 3
- US $110,000 - 184,999 4 (56)
- US $185,000 or over 5

Q27 Which one of these charities should benefit from our dollar donation given on your behalf?

- Red Cross/Red Crescent 1
- UNICEF 2
- World Wide Fund for Nature 3
- Cancer Research 4 (57)
- Venice Restoration Fund 5

THANK YOU FOR YOUR HELP

PLEASE RETURN THE QUESTIONNAIRE ACCORDING TO THE INSTRUCTIONS ON THE REVERSE TO:

Mrs Dawn Mitchell
RSL – Research Services Ltd. (FTR)
Elmgrove Road,
Harrow,
Middlesex HA1 2QG
England

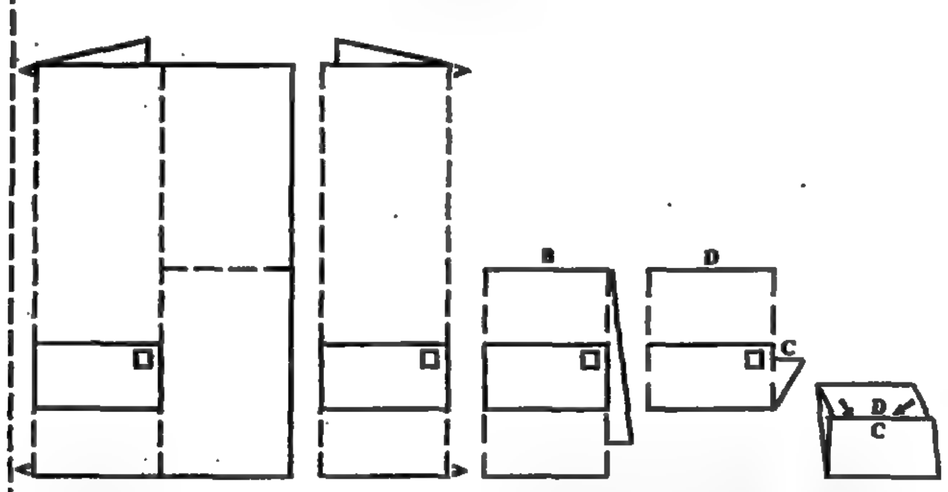
Tel: 44 81 861 6000 Fax: 44 81 861 5515

J7838/FW

A A

B

D (FLAP)



Fold page along dotted line A. First left side

Then, right side.

Fold in half along dotted line B.

Fold C upwards. Then fold D (flap) down.

Insert D (flap) into aperture C.

AFFIX STAMP HERE

Mrs Dawn Mitchell
RSL – Research Services Ltd
Elmgrove Road
Harrow
Middlesex
HA1 2QG
ENGLAND

A C (INSERT FLAP HERE) A

INTERNATIONAL CAPITAL MARKETS

Treasuries rally after surprise Fed coupon purchase

By Patrick Harverson in New York and Sara Webb in London

US TREASURY prices staged a remarkable turnround yesterday after the Federal Reserve surprisingly announced an outright purchase of coupons.

In late trading the benchmark 30-year government issue was up ⅝ at 101$\frac{1}{16}$, yielding 7.857 per cent. The two-year note was up ⅛ at 99$\frac{25}{32}$, yielding 5.192 per cent.

Prices opened markedly weaker across the board and remained at low levels throughout the morning after

GOVERNMENT BONDS

the likelihood of another interest rate cut had dwindled in the wake of Monday's unexpectedly strong May purchasing managers' report.

In the afternoon, however, prices rallied sharply after the Fed's announcement. Few had expected a coupon pass from the Fed, so inventories were low. Subsequently, the rush of buying by dealers who needed securities to sell to the Fed pushed prices higher.

Earlier in the day there had been little reaction to the news of a surprisingly small 1.3 per cent rise in April new single-family home sales, but the buying lacked conviction and soon petered out.

■ UK government bond prices slipped back in dull trading with dealers suggesting that the Danish referendum on the Maastricht Treaty exerted a restraining influence on the market yesterday.

Short-dated gilts ended the day little changed, while longer-dated issues edged lower. The benchmark 11¾ per cent gilt due 2003/07 slipped from its opening level of 117$\frac{15}{32}$ to trade at 117¼ by late afternoon.

The Bank of England issued a £100m tranche of the existing 6¾ per cent gilt due 1995/98, which will be available for sale from today at a price of 93$\frac{1}{16}$.

Dealers pointed out that the existing stock had recently been trading "rather expensively" in the market and welcomed the Bank's decision to issue a new tranche for market management purposes.

In addition, a £500m tranche of 3 per cent Treasury stock due 1992 matures next week, so investors who prefer to hold low-coupon stocks may be keen to place the proceeds from the maturing stock in another low-coupon issue such as the 6¾ per cent 1995/98 gilt.

■ THE European government bond markets fell back yesterday as rumours circulated that Denmark would vote against the ratification of the Maastricht Treaty on economic and monetary union in yesterday's referendum.

Despite a clutch of recent opinion polls showing a swing in favour of ratification, traders said speculation had circulated in the bond markets and sent prices lower in Germany, France and the Ecu bond market. The fall in the US Treasury bond market also helped to depress European government bond prices.

Traders noted some switching out of Germany into the Scandinavian markets ahead of the referendum result.

The Danish government bond market ended the day higher, with the 9 per cent bond due 2000 moving from its opening level of 101.70 to close at 101.95.

■ JAPANESE government bond prices ended at the day's lows as the yen failed to strengthen against the US dollar.

The market opened on a weak note yesterday, following the fall in US Treasury bond prices overnight and the halt in the yen's strengthening against the US currency. The Bank of Japan intervened in the foreign exchange markets, selling dollars for the fifth consecutive trading day, and the yen traded at 127.50 to the dollar in London, compared with 127.15 the previous day.

The yield on the benchmark No 129 JGB opened at 5.535 per cent and moved in a range of 5.5 to 5.535 per cent before closing in Tokyo at 5.53 per cent.

● China plans to put Y21bn of state treasury bonds on the market on July 1 as part of efforts to tap growing personal savings, AP-DJ reports from Beijing.

The Ministry of Finance said the bonds would mature on July 1 1995. Annual interest on the tax-exempt bonds will be 9.5 per cent. It did not give details of how money raised would be spent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	106.7325	-0.173	9.13	9.08	9.40
BELGIUM		9.000	08/01	101.2500	-0.100	8.79	8.78	8.85
CANADA *		8.500	04/02	100.68	+0.20	8.40	8.50	8.70
DENMARK		8.000	11/00	101.9500	+0.150	8.65	8.79	8.80
FRANCE	BTAN	8.500	03/97	99.0085	-0.038	8.74	8.74	8.88
	OAT	8.500	11/02	99.6700	-0.150	8.53	8.54	8.70
GERMANY		8.000	01/02	100.1500	-0.140	7.97	7.94	7.98
ITALY		12.000	02/02	98.1000	-0.190	12.72†	12.62	12.66
JAPAN	No 119	4.800	06/99	95.1700	-0.182	5.76	5.79	5.97
	No 129	6.400	03/00	104.6900	-0.024	5.54	5.57	5.68
NETHERLANDS		8.250	02/02	99.4300	-0.140	8.32	8.29	8.34
SPAIN		11.300	01/02	102.1000	-0.010	10.90	10.88	10.90
UK GILTS		10.000	11/96	103-06	+1/32	9.10	9.12	9.27
		9.750	08/02	105-05	-1/32	8.97	8.99	9.13
		9.000	10/08	101-25	-2/32	8.79	8.83	9.00
US TREASURY *		7.500	11/01	101-05	+10/32	7.33	7.35	7.42
		8.000	11/21	101-17	+10/32	7.86	7.86	7.92
ECU (French Govt)		8.500	03/02	99.4700	-0.180	8.58	8.62	8.76

London closing. *New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Siemens launches $1bn offering with warrants

By Sara Webb

SIEMENS, the German electrical and electronics group, yesterday launched a $1bn bond issue with warrants, one of the largest equity-related bond issues in the Euromarkets.

INTERNATIONAL EQUITY ISSUES

The German group is one of three borrowers – the others are Japan Associated Finance and Investor of Sweden – to issue equity-linked bonds this week, leading to speculation that other companies may start to use these instruments again in the near future.

Convertible bonds fell out of favour a few months ago after investors had their fingers burned in some of the less accessible markets.

A number of South Korean, Indonesian and Taiwanese companies launched convertible issues at a time when foreign investors had only limited access to the underlying equity markets. However, investors were disappointed when the underlying stock markets subsequently fell, which meant that there was no point in taking up their conversion rights.

The Siemens 10-year bonds-with-warrants issue, which has an 8 per cent coupon, was launched at a price of 132 yesterday and dropped back to 131.00-131.50 by late afternoon. The bond portion was priced to yield 50 basis points over the US Treasury bond, but the yield spread narrowed to 42 basis points during the day.

The warrants alone, which were priced at 173, fell to 164-166, while the stripped bonds traded at par-30 to par-35. The warrants give investors the right to buy Siemens shares at a 25 per cent premium over yesterday's market price of DM688.50. There are 15 warrants per bond.

Continental European investors bought the bonds with warrants, but dealers said German investors were keener to buy the warrants alone, while UK institutions picked up the stripped bonds.

Siemens last launched a bond-with-warrants issue in 1986, but in that case it was a zero-coupon bond, and the warrants are due to mature in mid-June. The money is being raised for general purpose funding.

Japan Associated Finance, a venture capital group also known as Jafco, announced a $200m convertible bond issue yesterday. "For European investors this kind of instrument provides a play on the [Japanese] over-the-counter market," said one syndicate official.

The convertible bond has a coupon of 4.5 per cent and the conversion price will be fixed at either 2.5 per cent over the six-day average of the daily low trade, or at the highest quotation on June 9, whichever is the higher of the two.

Liffe considers second gilt futures contract

By Tracy Corrigan

THE London International Financial Futures and Options Exchange (Liffe) is considering introducing a second gilt futures contract. The proposal is a response to growing demand for a means of hedging longer-dated gilt issues.

The existing contract, known as the long gilt contract, is based on gilt issues totalling at least £500m which mature between 2003 and 2009. The contract specification was set in December 1988, when the UK government was repurchasing substantial amounts of paper. The exchange decided to set the parameters of deliverable gilts in this way to counter fears of diminishing supply. However, the nature of the specification means that the maturity of the gilts has been steadily declining, so that the long gilt future is now based on 11 to 17-year paper.

The UK government has now resumed issuance of gilts, with two new gilts, maturing in 20 and 25 years, launched so far this year. More long-dated supply is expected. As a result, there is growing demand from traders for a contract based on long-dated gilts. Based on 15 to 25-year gilts, it would be known as the extra-long contract.

Liffe plans to sound out members on potential demand for such a product. The exchange may also change the specification of the existing contract at a later date, in order to align the contract with other 10-year bond future contracts, common to most markets.

Ironically, Liffe's medium gilt contract – which was based on 10-year gilts – failed to take off after its introduction in 1987 and was suspended in 1990. Dealers complain that the lack of a 10-year gilt future makes it more difficult to trade gilts against other futures markets.

● First Chicago Futures and James Capel have joined the four existing marketmakers in Liffe's three-month Ecu interest rate future.

French franc deals enjoy strong support

By Simon London

NEW international bond issues denominated in French francs continued to find strong support yesterday, with the sector attracting new borrowers and international investors.

LKB Baden-Württemberg, the triple-A rated German financial institution, made its first issue in the sector, raising

INTERNATIONAL BONDS

FFr1bn eight-year funding in a deal lead-managed by BNP Capital Markets.

The deal followed a successful sector debut last week by KFW, another German state-backed institution. Syndicate officials said more overseas borrowers were likely to tap the sector while international demand for franc-denominated assets remained strong.

In addition, French fund managers are eager to buy bonds issued by new borrowers in order to diversify their credit risk. The market has recently been dominated by a handful of big issuers.

The LKB issue met with a good response in Switzerland and the Benelux countries, despite a softer tone in the government bond market. The 8¾ per cent paper was re-offered to investors at a fixed price of 99.39, to yield 35 basis points more than French government paper of the same maturity.

By the close, the bonds were trading at around 9.33 bid, but the yield spread over government bonds was stable.

Volvo Group Finance also made a FFr1bn issue, but at the five-year maturity and lead-managed by Crédit Lyonnais. The 9.5 per cent paper was launched late in the day as a re-offering to investors at 99.88, where the yield is 80 basis points more than government paper.

Participants in the deal reported a more muted response to the issue, partly because Volvo does not carry a credit rating and remains dependent on the depressed European car market. The deal was held at the fixed re-offer price until the close of trading.

Elsewhere, Astra, an Argentine oil company, became the latest Latin American borrower to tap the international market, launching $100m five-year bonds via Citicorp Investment Bank. The paper pays a 9¼ per cent semi-annual coupon and has a put option after three years. The lead manager said that the paper had been priced, on the basis of the put option, to yield 350 basis points over three-year US Treasuries.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Siemens Cap.Corp.(b)†#	1bn	8	132.00	2002	2.5/1.5	Deutsche Bk.Cap.Mkts
Swedbank(c)‡†	100	(c)	99.75	2002	75/50bp	Morgan Stanley Intl.
Astra(d)†	100	9.25	98.25	1997	1.25/0.75	Citicorp Inv.Bk.
Japan Ass.Finance§	200	4.5	100	1999	2.5/1.5	Nomura Intl.
FRENCH FRANCS						
LKB Baden-Wt.Finance(a)†	1bn	8.75	99.39	2000	30/15bp	BNP Cap. Mkts.
Volvo Grp.Fin.Eur.(a)†	1bn	9.50	101.43	1997	1.875/1.25	Credit Lyonnais
D-MARKS						
West Japan Railway(a)†	200	8.70	102.26	1997	2/1.25	Deutsche Bk.
YEN						
Eurofima(e)‡†	20bn	(e)	100	2005	20/10bp	Morgan Stanley Intl.

**Private placement. §Convertible. #With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Exercise premium fixed at 25.00%. Non-callable. c) Coupon pays 120bp over the 6-month Libor and payable semi-annually. Callable at par on the June 1997 coupon date. If call not exercised notes to pay 250bp over Libor thereafter. d) Coupon payable semi-annually. Callable at 98pc on 16.6.94. Put option at 97.675pc on 16.6.95. e) Coupon pays 5bp below 6-month Libor and payable semi-annually. Callable at par in June 1997.

Eurotunnel share movements under scrutiny by watchdog

COMMISSION des Operations de Bourse (COB), the French regulatory body, confirmed that it had opened an investigation into recent movements in the price of shares in Eurotunnel, the Channel tunnel operator, Reuter reports.

The inquiry was triggered by a sharp drop in Eurotunnel's stock price last week following remarks by the chairman of builder Bouygues and speculation that price manipulation had occurred.

Mr Martin Bouygues, Bouygues chairman, said talks between Eurotunnel and its contractors, including Bouygues, to resolve a prolonged legal battle over cost overruns were deadlocked and that he could not rule out Eurotunnel going bankrupt.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on June 2

	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 4 3/4 98	250	88¾	89¼		7.28
EEC 5 1/2 00	100	89	90	-½	7.27
EIB 6 1/2 98	800	98¾	99		6.75
ELEC DE FRANCE 7 1/4 06	100	100½	102	-¼	7.18
FINLAND 5 3/8 95	150	94	94½		7.41
GENERAL MOTORS 7 1/2 95	100	100	100½	+¼	7.48
JAPAN DEV BK 5 1/2 94	100	95¼	96		8.61
KOBE 6 3/8 01	240	96	98	+1	6.98
NEW ZEALAND 4 7/8 99	200	87¼	88		7.25
QUEBEC HYDRO 5 08	100	74½	75½		7.87
WORLD BANK 5 03	150	84	85		7.12
WORLD BANK 7 01	600	101¼	101½		6.80
YEN STRAIGHTS					
AUSTRIA 4 3/4 94	30000	99¾	99¾	-⅛	5.14
CREDIT FONCIER 5 1/4 94	20000	99¾	100¼		5.40
DENMARK 7 95	40000	104¼	104¾	-⅛	5.29
EIB 4 5/8 94	40000	99¾	99⅞	-⅛	4.83
ELEC DE FRANCE 5 5/8 96	20000	100¼	100¾		5.55
FINLAND 6 3/4 96	50000	103	103¼	-⅛	5.84
INTER AMER DEV 7 1/4 00	30000	108¼	108¾	-¼	5.94
KANSAI ELEC PWR 4 5/8 94	60000	98¾	99¼		5.25
NIPPON TEL & TEL 5 7/8 96	50000	100¾	101¼	-⅛	5.66
NORWAY 5 1/8 95	50000	99½	99¾	-⅛	5.31
SNCF 6 3/4 00	30000	105¾	105¾	-⅛	5.82
SWEDEN 5 5/8 95	20000	100½	100¾	-⅛	5.57
WORLD BANK 6 3/4 00	50000	106	106¼	-⅛	5.77

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
UNITED KINGDOM -1/8 96	4000	100.00	100.04	4.0625
YORKSHIRE BS 1/10 94 £	165	99.69	99.78	10.1938

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	132¼	134¼	
CHUBB CAPITAL 6 98	250	86	102¼	103	+30.84
EASTMAN KODAK 6 3/8 01	300	50.67	101¾	102¾	+28.89
GOLD KALGOORLIE 7 1/2 00	65	1.0554	84½	85½	+49.89
HANSON 9 1/2 06 £	500	2.5875	106	106¾	+19.25
HAWLEY 6 02 PREF	400	19.1	102¾	104¾	
HILLSDOWN 4 1/2 02 £	150	3.97	119¾	120¾	
LAND SECS 6 3/4 02 £	84	6.72	83	84	+32.48
LASMO 7 3/4 05 £	90	5.64	76¾	78	
MITSUI BANK 2 5/8 03	200	2332.6	59¾	61¼	+28.16
MOUNT ISA FIN 6 1/2 97	100	2.283	99¾	100¼	+6.51
OGDEN 6 02	85	39.077	82	83¼	+61.22
SEGA ENTERPRISES 3 1/2 96	200	13018	102¾	103¾	+38.07
SMITH & NEPHEW 4 02 £	90	1.775	124¾	125¼	+47.03
SUMITOMO BANK 3 1/8 04	300	3606.9	59¾	60½	+45.26
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	91¾	92¾	
THORN EMI 5 3/4 04 £	103	7.16	124¾	125¾	+5.44

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	40	38
Other Fixed Interest	6	3	8
Commercial, Industrial	311	242	895
Financial & Property	156	75	567
Oil & Gas	15	20	51
Plantations	0	1	8
Mines	30	18	97
Others	62	12	55
Totals	583	411	1,719

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
285	Nil	9/7	64pm	52pm	BICC	62pm	+8
285	Nil	9/6	77pm	70pm	Concentric	70pm	
14	Nil	16/7	4pm	1¾pm	Eadie	1¾pm	
5	Nil	15/7	½pm	½pm	Europa Minerals 2p	½pm	
57	Nil	29/6	½pm	½pm	Fulcrum Inv. Trust Inc	½pm	
95	Nil	12/6	28pm	5pm	Ingham	5pm	
190	Nil	22/7	43pm	43pm	Pittencrieff	43pm	
400	Nil	10/7	110pm	80pm	Transfer Technology	80pm	-15

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. o Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ¶† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- *First Dealings* May 18
- Last Dealings June 5
- Last Declarations Aug. 20
- For settlement Sept. 1

3-month call rate indications are also shown on this page.

Calls in Anglo United, Airtours, Pentland, Proteus Intl., Ransomes, Redland, Saatchi & Saatchi, Vistec and Wilshaw. Puts in Amber Day and Midland Bank.

LIFFE EQUITY OPTIONS

FT-SE INDEX (*2706)

	2550	2600	2650	2700	2750	2800	2850	2900
CALLS								
Jun	173	124	78	37	13	3	1	½
Jul	189	143	102	65	36	18	7½	3
Aug	206	163	123	88	59	38	22	11
Sep	227	186	147	113	83	60	39	26
Dec †	-	247	-	175	-	115	-	70
PUTS								
Jun	2	3½	7	20	52	98	148	198
Jul	6	9½	20	34	62	100	148	198
Aug	13	22	32	47	72	107	148	198
Sep	22	30	42	60	83	113	152	199
Dec †	-	46	-	85	-	125	-	205

June 2 Total Contracts 33,521
Calls 26,015 Puts 7,506
FT-SE Index Calls 2,583 Puts 3,592
Euro FT-SE Calls 1,199 Puts 139
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p								
Allied-Lyons	49	Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Amstrad	6	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Astec (BSR)	3	Courtaulds	43	Lex Service	22	TI	[illegible]	BP	18
BAT Inds	[illegible]	Eurotunnel	32	Lloyds Bank	[illegible]	TSB	11½	Burmah Castrol	48
BOC	[illegible]	FKI	6	Lonhro	12	Tesco	22	Conroy Pet	6½
BTR	[illegible]	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
Barclays	[illegible]	GKN	[illegible]	Marks Spencer	[illegible]	T & N	11½	Premier Cons	2¾
Blue Circle	[illegible]	Gen Accident	[illegible]	Midland Bank	[illegible]	Unilever	70	Shell	35
Boots	[illegible]	GEC	[illegible]	Natwest Bank	[illegible]	Vickers	15	Tuskar Res	½
Bowater	[illegible]	Glaxo	[illegible]	P & O Dfd	[illegible]	Wellcome	75	■ MINES	
Brit Aerospace	[illegible]	Grand Met	[illegible]	Racal Elect	[illegible]	■ PROPERTY		RTZ	47
British Steel	[illegible]	GRE	[illegible]	RHM	[illegible]	Brit Land	[illegible]		
Brit Telecom	[illegible]	Hanson	[illegible]	Rank Org	[illegible]	Land Sec.	[illegible]		
Cadburys	[illegible]	ICI	[illegible]	Reiners	[illegible]	MEPC	[illegible]		
				Reed Intl	[illegible]	Mountleigh	[illegible]		

Cost cuts, productivity gains and acquisitions boost performance

De La Rue jumps to £76.2m

By Richard Gourlay

DE LA RUE, the bank note printing and cash handling machine group, reported a 29 per cent jump in profits after another year of cutting costs and productivity gains.

Pre-tax profits in the year to March jumped from £58.9m to £76.2m on sales up 7 per cent at £415m.

Only £2.3m of profit contribution came from the acquisition last year of Inter Innovation, its Swedish-based competitor.

Despite the jump in profits, De La Rue's share price fell 12p to 592p. Earnings per share rose 17.7 per cent to 30.6p and the company is to increase the full year dividend by 9.1 per cent to 15p.

After a year of strong cash flow from operations, De La Rue's year-end net cash rose to £112m and led to interest earned of £3.9m, compared with an interest charge of £2.1m.

The group was left with £51m from the £162m rights issue after the acquisition of Inter Innovation and an increase in the stake in Garny, the German manufacturer of banking automation and physical security equipment.

Mr Jeremy Marshall, chief executive, emphasised that De La Rue was interested in further acquisitions but was in no hurry and would not buy anything that would dilute earnings.

The security printing division increased operating profit by 21 per cent to £41.7m.

While the comparable figure last year was depressed by an exceptional charge and above the line rationalisation costs, the division benefited from increased productivity.

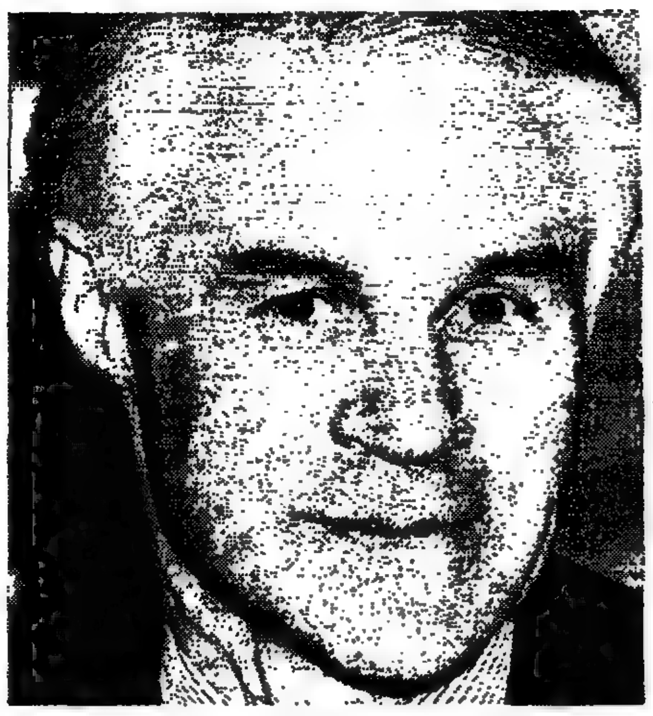
Volumes in traditional markets fell by 4 per cent. Sales would have fallen further but for new markets that are opening in the Baltics, the Commonwealth of Independent States and in Africa.

De La Rue has a 60 per cent market share of the 120 large countries that do not print their own notes but Mr Marshall recognises the market is relatively mature.

The acquisition of Inter Innovation would, however, make De La Rue's payment Systems sector of equal importance within the group in terms of sales but was an area of greater growth potential.

With only four months of the new acquisition, the division increased operating profit by 41.2 per cent to £23.3m on a similar increase in sales. Sales at Garny, where De La Rue now holds a 93 per cent stake, increased by 48 per cent.

See Lex



Jeremy Marshall: interested in further acquisitions

Del Monte Foods Intl plans float with likely £450m tag

By Roland Rudd

DEL MONTE FOODS International, the processed fruit manufacturer, has confirmed that it is preparing for a flotation which is likely to value it at £450m.

Mr Leon Allen, chairman and chief executive, said a significant amount of the new money raised would be used to expand the group's interests in mainland Europe though acquisitions.

The group's advisers believe the retail element could be as high as 50 per cent which would increase competition among institutional investors wanting to buy the stock. There is also likely to be a significant placing of shares on the Continent.

The sale will make multi millionaires of the company's four executive directors, who together bought 5 per cent of its shares in the $375m management buy-out in May 1990.

While other big buy-outs of the last few years have struggled to hit their financial targets, DMFI's profits have risen rapidly.

Profits before tax increased by 82 per cent to £24.7m for the year to November 29 1991, reflecting unit volume increases in all markets and product categories.

Operating profit from trading activities before interest increased by 19 per cent to £36.7m.

DMFI is completely separate from the Del Monte fresh fruit business, which was bought by Polly Peck, the fruit and electronics conglomerate that collapsed in 1990.

When Nabisco was bought by Kohlberg Kravis Roberts, the US buy-out specialists, in February 1989, Del Monte was sold and broken up.

DMFI has exclusive rights to use the Del Monte name for processed foods in most parts of the world except the US. Its biggest market is Italy, where its annual sales are £78.2m, followed by the UK, where the turnover is £71m.

The business is being floated by Charterhouse, the merchant bank whose investment funds own 60 per cent of DMFI, and Cazenove, the stockbroker. The group expects some of its institutional investors to sell although it is not clear what proportion will want to realise their holdings. The four senior executives plan to hold on to most of their stock.

DMFI has expanded throughout Europe and developed a worldwide business which operates in 35 countries.

The brand strength is sustained by unusually high expenditure on television advertising and marketing. Marketing costs were £9m in 1989, the year before the buy-out, and have risen to £24m this year.

As a result, DMFI is the number one or two leading canned fruit and beverage brand in 12 European countries.

Fall at Powell Duffryn less than City had feared

By Peggy Hollinger

SHARES IN Powell Duffryn, the distribution, storage and engineering company, jumped 30p to 396p yesterday on news of far better-than-expected profits of £24.6m pre-tax in a year of wide-ranging restructuring.

The profits, which were struck on turnover £25.5m down at £749.3m, represented a 15 per cent decline on the previous year.

Analysts had been expecting a much sharper decline to £21m for the year to March 31.

The dividend – maintained for the third year at 22.6p via a same-again 16p final – also helped to support the shares, although cover fell from 1.4 to 1.1 times.

During the year, PD shed its quarrying interests, shifted its marine transport focus to land-based services with the acquisition of Tees and Hartlepool port, expanded its engineering businesses and quit foundries.

The refocusing – which included several disposals – left the group with gearing of less than 20 per cent.

Mr David Hubbard, chairman, said the group's strategic activities had been more important than the actual results.

However, he added: "A 15 per cent decline in a ... group which is 80 to 90 per cent reliant on the [depressed] UK ... is a figure not to be ashamed of."

The largest factor in the group's decline was attributed to the £4m loss at Powell Duffryn Standard, which is developing a railway freight wagon base – known as a bogie – for use on both sides of the Channel.

Orders for traditional railway wagons – which normally run to between £25m and £30m annually and were expected to offset losses on the new bogies – had disappeared, Mr Hubbard said. Profits at the engineering division overall fell to £12.5m (£13.9m).

A further large fall came in UK petroleum products, where operating profits tumbled to £3.9m (£8.3m).

A mild winter and the depressed automotive industry had cut overall profits at fuel distribution from £12.8m to £9.5m.

Shipping services contributed £10.6m (£10.2m), buoyed by the inclusion for two months of PD's share in Tees and Hartlepool.

The port is estimated to have contributed £1.1m.

Retained profits rose by 43 per cent to £23.8m, helped by an £8m extraordinary net gain on disposals and closures.

Earnings per share fell from 30.7p to 24.5p.

● COMMENT

Cinderella may have found her ticket to the ball. Never known for being a glamorous stock, Powell Duffryn is drawing some ardent admirers. The rapid changes of the last eight months have given it a solid base from which to grow and appear to have confounded the sceptics over PD's dividend policy. The acquisition of the Tees and Hartlepool port looks especially encouraging and will require far less investment than the shipping businesses would have needed for similar growth. The coal division, meanwhile, is growing on British Coal's drive for efficiency and is likely to retain the benefits after privatisation. Forecasts are pitched at about £29.5m – for a prospective p/e of about 13.7 times – with the dividend likely to enjoy its first increase in four years. Even taking into account last night's 8 per cent advance in share price, there could still be more to come.

Cautious Dunhill climbs to £76m

By Maggie Urry

DUNHILL HOLDINGS, the luxury goods group, shook off the worldwide recession and the aftermath of the Gulf war to increase pre-tax profits by 3 per cent to £76m in the year to end-March.

At the half-way stage the group had reported an 8 per cent decline in profits. The shares rose 12p to 482p.

Lord Douro, chairman, said that trading improved in many areas in the latter part of the year, although in Japan conditions had worsened recently.

He said that the figures were creditable under the circumstances. However, the percentage increase was the lowest for 10 years. He expressed caution about the current year.

Rothmans International, the tobacco company, has a 57.67 per cent stake. Rothmans is in turn controlled by Compagnie Financière Richemont, the Swiss holding group.

Sales rose by 12 per cent to £254.6m (£227.2m). They were boosted by the acquisition in June last year of Hackett, the men's outfitter, and the purchase of a 34 per cent stake in Dunhill's Japanese distributor. Turnover on a like-for-like basis was 5.5 per cent higher.

Operating profits were static at £55.7m (£55.1m). An increase in net interest received to £20.3m (£18.7m) helped pre-tax profits, which were up from £73.9m. Net cash rose from £163.8m to £179.6m.

After a slightly lower tax rate, earnings per share rose to 28.4p (27.3p). A proposed final dividend of 4.95p gives a total of 7.7p (7p), which is covered 3.7 times.

As well as the Alfred Dunhill brand the group owns Montblanc pens, Hackett, and Chloé, the French fashion and fragrance business. On Monday Dunhill announced the purchase of Karl Lagerfeld, another French fashion house.

Lord Douro said that the group had been offered many possible acquisitions but often these were at high prices. The group had decided in the main to invest more in its own brands – through buying more distributors, opening shops and widening product ranges, for example the introduction by Chloé of leather accessories.

Caledonia buys 27.3% stake in Exco from B&C administrators

By Jane Fuller

CALEDONIA Investments, which once controlled British and Commonwealth Holdings – the financial services group that collapsed two years ago – has acquired a 27.3 per cent stake in Exco International from the administrators of B&C.

The move follows Caledonia's purchase last November of a 45 per cent stake in Bristow Helicopter Group, which also used to be part of the B&C stable.

Caledonia, which is 47 per cent owned by the Cayzer family, has paid £20.5m for the Exco holding as part of a placing of 60 per cent of the equity.

This has valued Exco, one of the City's leading money brokers, at £75m. Mr Stephen Adamson, one of the administrators from Ernst & Young, said this was after stripping out £80m in dividends for B&C.

Values for Exco bandied about previously have included £230m, had B&C avoided administration, and £100m, before stripping out the £80m.

Caledonia backed the management buy-out of Exco from Gerard & National, the discount house, in 1978. The buy-out was led by Mr John Gunn, later B&C's chief executive.

In late 1986, B&C bought Exco for £873m. The following year, before the stock market crash, B&C bought most of Caledonia's stake for £427m. At the time, B&C's market value was £1.5bn.

Mr Gunn is not involved in the renewal of Caledonia's links with Exco. B&C went into administration two years ago today – its peak debt was £1.2bn.

Exco has remained profitable throughout – last year it made a pre-tax profit of £18.5m – although attempts to float or sell it proved unsuccessful.

Mr Richard Lacy, Exco's chief executive, said it had been a difficult period. The administrators' efforts "to trawl the marketplace" to find a buyer had consumed a lot of management time. "It would have been better to have a quick sale and to get on with life."

It could now concentrate on its money broking and government securities broking businesses, improve its services to clients and develop new products.

Mr Peter Buckley, Caledonia's chief executive and a member of the Cayzer family, said: "We know the people who run Exco. They have been through a difficult time and we have an opportunity to participate in a company that has a new lease of life." He is joining the Exco board as a non-executive.

Other institutional investors include funds managed by Gartmore Investment, Fleming Investment Management, Nihon Tanshi and Nittan AP. Employees will ultimately gain a 15 per cent holding. B&C retains 40 per cent.

Mr Adamson said: "As we were in a position to start paying dividends to shareholders, the placing gives us some money now and a substantial stake in the future. We believe the 40 per cent we have retained will produce its rewards."

Exco was advised by NM Rothschild, which also arranged the placing.

British Biotechnology pathfinder published

By Clive Cookson, Science Editor

BRITISH Biotechnology Group yesterday published the pathfinder prospectus for its international share offer planned for July.

The Oxford-based pharmaceutical company says it aims to raise some £30m by selling about 20 per cent of its equity through a share issue in London and New York. The issue is expected to be priced at between 400p and 450p, valuing the company at about £150m.

British Biotechnology will use the proceeds of the flotation primarily to fund its research and development programme, which covers four medical areas: inflammatory diseases such as arthritis; cancer; vascular and heart disease; and viral infections, including Aids.

It has two drugs undergoing in early clinical trials and a third due to begin clinical testing in August. But the group "does not expect to market or generate revenues from the commercialisation of its pharmaceutical products until at least the latter half of the 1990s."

Allied Colloids achieves 8% advance to £42.1m

By Roland Rudd

ALLIED COLLOIDS, the speciality chemicals company, reported an 8 per cent increase in pre-tax profits, from £38.8m to £42.1m, for the year to March 28.

Although the figure was below market expectations the company issued an upbeat statement about prospects and raised the final dividend to 3.02p (2.7p) making a total of 3.9p compared with 3.5p.

While turnover in the first half was in line with expectations, sales in the second half remained flat, reflecting the continuing recession across both sides of the Atlantic.

Overall sales, however, rose by 9 per cent, from £232.9m to £254.5m, reflecting the group's lack of dependence on the UK market which accounted for just 15 per cent of turnover.

Earnings increased from 9.88p to 12.3p, mainly as a result of an exceptional tax credit.

The tax charge of £10.1m was exceptionally low because a provision for deferred taxation of £5m relating to accelerated capital allowances was considered no longer to be required.

Net assets increased from £130m to £145m, while gearing remained low at 4.5 per cent.

Inquiry takes toll on Eurocopy

By Peggy Hollinger

EUROCOPY, the photocopier distributor, yesterday blamed the effects of a government inquiry into the selling practices of some of its subsidiaries for an 80 per cent decline in interim profits.

The company – which was allowed to retain its consumer credit licences in January following a six-month investigation by the OFT – suffered a decline in pre-tax profits from £3.66m to £720,000 for the six months to March 31. Sales fell by 4.6 per cent to £18.4m (£19.3m).

Mr Michael Armitage, finance director, said Eurocopy's competition had had "a field day" during the inquiry, exploiting doubts prompted by the investigation. However, such practices had stopped since the OFT's announcement.

The difficulty now was recession, he said. Eurocopy had seen no sign of a sustained upturn in the second half. Nevertheless, the uncovered dividend is held at 1.1p on the premise that the first half – disrupted by the inquiry and the election – had not been representative of normal trading patterns. The final pay-out, however, depended on a "sustained recovery coming through".

The greatest decline came in machine sales, where gross margins plunged from 50 to 12 per cent, and the operating loss almost doubled to £2.5m (£1.3m).

Profits from servicing fell from £4.5m to £3.6m. The furniture business – acquired with Equipu in 1989 – incurred a £500,000 loss (breakeven).

Earnings per share fell from 5.01p to 1p.

Mr Armitage said the company was about to issue a writ claiming £9.2m from Sketchley over the Equipu purchase. Companies acquired in the transaction were at the root of claims about misleading practices which led to the OFT inquiry.

Mr Cyril Gay, the chairman, said that overhead costs had been kept under constant review and savings had been made which would reduce annual service department and administrative costs by £1m. He said those savings would start to come through in the second half.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Allied Colloids	fin	3.02	Aug 28	2.7	3.9	3.5
Atkins Group	fin	4	July 24	6	7.6	9.6
Cahill May Rbts§	int	0.77♣	-	0.7	-	1.95
Cheam Group	fin	4	August	4☆	7.5	7.5☆
De La Rue	fin	11.5†	July 27	10.5	15	13.75
Devenish (JA)	int	1.5	July 17	1.2	-	6.25
Dunhill	fin	4.95	July 23	4.4	7.7	7
Eurocopy	int	1.1	Sept 1	1.1	-	4
High Gosforth	fin	15	July 22	15	16	15
JS Pathology	fin	nil	-	3.7	1.8	5.5
Leigh Interests	fin	5.37	Oct 1	5.24	7.83	7.64
Metro Radio §	int	1.5	July 10	1.5	-	5
Mln Investors	fin	5	July 23	4.5	8.5	7.5
Perpetual	int	1.2	July 13	0.8	-	3.2
Powell Duffryn	fin	16	Aug 7	16	22.6	22.6
Thames Water	fin	12.8	Sept 4	11.5	19.2	17.5
TSB Channel Is	int	4‡	Aug 3	3.45	-	8.65

Dividends shown pence per share net except where otherwise stated. ‡Gross. †On increased capital. §USM stock. ☆For 15 months. ♣Irish currency.

Leigh blames recession for 5% fall

By Richard Gourlay

LEIGH INTERESTS, the waste management company, blamed low levels of waste production in the south of England for a 5 per cent fall in profits for the year to March 31.

Despite two acquisitions, pre-tax profits fell from £14.8m to £14.1m on sales up 23 per cent at £118.8m.

Earnings per share fell from 18p to 15.5p but the company is recommending the payment of a final dividend of 5.37p, giving a total of 7.83p, compared with 7.64p.

Mr Malcolm Wood, chairman, said signs of the recession continued in the south of England where waste volumes generated and handled were lower than at the same time last year.

The company had responded by cutting back the relevant operations.

At an operating level profits advanced by 24 per cent to £17m, helped by the acquisitions. However, an interest charge of £2.93m compared with interest earned last year of £982,000 led to the fall in pre-tax profits.

The company had decided to take advantage of low asset prices by spending £23.1m to buy the Gerrards Cross Waste Disposal Company, operating near the junction of the M40 and the M25, and Ideal Aggregates, which has its biggest landfill asset near Rugby.

These acquisitions took gearing to 50 per cent, a level which the company said it expects to persist through this year.

The company is about to commission the UK's first wet-air oxidation plant in Birmingham which will treat aqueous organic waste without resorting to expensive incineration.

Malcolm Wood: low volumes in southern England

The man from accounts, he say

“

	1991 Audited 12 months ended November 1991	1990 Audited 7 months ended November 1990	1990 Unaudited 12 months ended November 1990
Turnover	£252.0m	£137.0m	£225.7m
Operating profit from trading activities	£36.7m	£25.7m	£30.9m
Profit on disposal of subsidiary	£6.4m	—	—
Operating profit	£43.1m	£25.7m	£30.9m
Profit after taxation	£17.3m	£8.9m	£7.6m

”

During the 1991 financial year Del Monte Foods International Limited: ■ achieved unit volume growth in all key markets as a result of significant gains in market share ■ increased Marketing investment ■ launched over 40 new products across Europe ■ reduced working capital as a proportion of sales ■ increased operating profits from trading activities by 19% on an annualised basis.

(The 1990 comparative figure has been calculated based upon the unaudited management accounts for the business which comprised the Del Monte Foods Europe operations.)

Del Monte

Del Monte Foods International Limited, Del Monte House, Staines, England

Basic issues that remain unsettled

Norma Cohen on the latest round in the takeover war for the UK's smallest clearer

An institutional shareholder in Midland Bank, summing up the latest round in the bidding war for the UK's smallest clearing bank, said: "It doesn't seem to be a knock-out blow by any means. We're waiting to see what Lloyds is going to say."

Hongkong and Shanghai Bank yesterday increased its offer to the equivalent of 480p per share from 410p, and promised shareholders that they could receive cash for the portion of their holdings that had previously only been exchangeable into 10-year subordinated bonds.

So far, Lloyds Bank has said only that it believes the deal does not represent a significant increase in value from the original offer and that its own board will be meeting on Friday to discuss the matter.

Shareholders yesterday referred to market speculation that Lloyds will write to Midland shareholders offering the equivalent of 500p per share, conditional upon the Monopolies and Mergers Commission clearing the bid on competition grounds.

The introduction of a cash element by HSBC was one of the key sweeteners that shareholders had previously specified they would have to see before becoming convinced that the deal was attractive.

HSBC has also dramatically increased the yield on the subordinated debt to 2.4 percentage points above a comparable maturity government gilt – a yield close to that offered on speculative-quality bonds. Indeed, many said that while they continue to have reservations about the offer themselves, they viewed the introduction of a cash element as too tempting for most other shareholders.

"Many will simply take the money and run," said one fund manager, adding that Lloyds will have to increase its offer enough to sufficiently outweigh the risk that the MMC will forbid it from proceeding.

Significantly, HSBC has said its offer is final and will not be improved.

Shareholders have until June 25 to decide and the MMC report is not due out until August. Therefore, shareholders who do not tender their shares will be gambling either that the deal will get a green light from the MMC or that HSBC is bluffing.

"Hongkong Bank will never get another bite of the cherry like this," said one shareholder, expressing the view that Midland offers it the one opportunity it will have to break into the UK market on a significant scale.

Most believe that HSBC badly needs to shift its reliance on the Hong Kong market precisely because of its own concerns about the future post-1997. Thus, it needs Midland even more than Lloyds does. Should Lloyds be denied the chance to bid, HSBC is likely to come back with yet another offer, they said.

THE BATTLE FOR MIDLAND

Meanwhile, institutional shareholders said yesterday that while the offer went a long way towards satisfying their basic complaint that the HSBC offer undervalued Midland, it left many other basic issues unsettled.

In short, institutions have two nagging concerns about the HSBC offer that go beyond the arithmetic of the deal.

First, there is considerable uncertainty among UK institutions about long-term prospects in Hong Kong after 1997, and there is concern about the focus of HSBC's other international operations.

"Frankly, we'd much rather be shareholders in Lloyds Bank," said one institutional shareholder with a significant stake in Midland.

"The offer is quite rich and quite tempting but Lloyds is a natural holding for us and a more logical fit for us than a vague global bank."

The efforts of Lloyds' own management over the past few years to pare costs and hone operations has left institutions vastly impressed with its management style.

Indeed, they take great comfort from the view that Lloyds' chairman, Sir Jeremy Morse, is likely to slash branches and dispose of operations if Midland came under his control. Its management has been the most respected of the four UK clearers.

But shareholders are also concerned about the HSBC bid because they largely share the view that the UK market is over-banked to begin with.

The entrance of yet another leading institution with fresh capital is going to do little to improve the profitability of the industry as a whole, they say.

However, even those shareholders inclined towards Lloyds concede there are risks in waiting for an offer to materialise and receive the blessing of the MMC.

Without any bid on the table, Midland shares could well drift back towards 300p, they said. And even those uneasy with holding the shares of an enlarged HSBC are taking comfort from the thought that the shares will be included in the FT-A All-Share Index and the FT-SE 100 Index by next year.

The combined capital of HSBC and Midland will make it one of the largest companies in those indices, greatly increasing the liquidity of the shares and hence, their value.

Overall, shareholders do not expect the MMC to reject the Lloyds offer on competition grounds.

"They will say there are a few problems in a few areas and some things will have to be sold," one shareholder said, explaining why he thought waiting for Lloyds is worth the risk.

Battling bank chiefs: Brian Pitman (left), of Lloyds, with Midland's Brian Pearse and Hongkong and Shanghai Banking Corporation's William Purves

Campaigns that will be pressed to a successful conclusion

By David Barchard in London and Robert Peston in Toronto

THE MEN at the top of the three banks involved in the takeover battle for Midland Bank yesterday all expressed determination to press their campaigns to a successful conclusion.

Mr Brian Pitman, chief executive of Lloyds, left the International Monetary Conference annual meeting in Toronto early last night in order to fly home to plan his bank's response to the improved offer from Hongkong and Shanghai.

He said he had not been surprised by Hongkong Bank's move, having watched "what was going on in the stock market".

Mr Pitman would not rule out his bank launching a raid in the stock market on Midland's shares, to persuade Midland's shareholders of its confidence in the battle.

"We would have to get the permission of the Secretary of State [for Trade and Industry]," he said.

Mr Pitman said Lloyds would decide how to respond to Hongkong Bank's move when its board meets later this week.

He said he wanted to see how Midland's shareholders reacted to the Hongkong Bank move. Mr Pitman also pointed out that the value of the terms Lloyds was currently proposing was not much below Hongkong Bank's new bid terms.

He said: "We will have to tell Midland's shareholders what our offer is worth now and what it could be worth later". He said he remained convinced that "people see the commercial logic of what we are doing".

Lloyds proposal to buy Midland is being investigated for the next three months by the Monopolies and Mergers Commission.

However, Midland's shareholders have to make up their minds whether to accept Hongkong Bank's terms by June 25, long before the MMC investigation is finished.

Mr William Purves, chairman of Hongkong and Shanghai Banking Corporation, who is also in Toronto and is this year's IMC president, said that despite being on the opposite sides of a takeover campaign, "no words other than friendly words" had passed between himself and Mr Pitman. "We have known each other a long time," he said.

Mr Purves said his bank's new bid terms were "definitely the final offer". He had decided to improve the offer now, much earlier than he had needed to under the Takeover Code, because it was "time to get uncertainty away from the thing".

His bank is holding an extraordinary meeting of its shareholders on June 9 and Mr Purves thought it was "better if shareholders know what we are doing" before the meeting. He had decided to provide cash as part of the offer because "we listen to what the institutions are saying. The institutions were not happy with the loan stock".

Nonetheless, he thought some institutions would choose to keep the loan stock, rather than opting for the cash alternative, since the coupon on the loan stock had been raised.

Mr Purves felt able to raise the offer because the "perception of the value of Midland" had improved. He said there were signs that loan loss provisions of UK banks in general were falling.

Mr Brian Pearse, chief executive of Midland, warned shareholders that they would have to realise by June 25 that if they rejected the board's recommendation the directors "would have to think very long and hard before they invited the Hongkong Bank to come back for a second bid."

Bonds that carry far more generous terms

By Simon London

THE BONDS offered to Midland shareholders under the revised offer from Hongkong and Shanghai Banking Corporation carry far more generous terms than under the initial offer.

If the bid is approved, the subordinated bonds will be priced to yield 2.4 per cent more than UK government paper of the same maturity, compared with a spread of 1.6 per cent under the initial offer.

The bonds have also been underwritten. Midland shareholders could sell bonds back to underwriters at this agreed level – the first time the Eurobond market has been used as a source of bid funding in this way.

The issue will also be smaller than under the original offer. The maximum size of the issue is now £454m, reduced from £700m.

Bankers said yesterday that the smaller size of the bond issue did not reflect a shortage of firms willing to underwrite paper on the new terms.

"At this level the underwriters will not have to work very hard for their fees," commented a new issue manager at a leading sterling firm not involved in the transaction.

Subordinated bonds issued by other banks trade at much lower yields in the secondary market. For example, 10-year subordinated bonds issued by Standard Chartered were yesterday trading on a yield spread of about 1.75 per cent over gilts.

However, direct comparison with bonds issued by other banks is difficult:

- the paper would be issued by HSBC, the holding company for Hongkong Bank and Midland Bank, rather than an operating subsidiary.

Since the main assets of the holding company are the shares of the operating banks, holders of subordinated bonds issued by HSBC would rank below all the creditors of both Hongkong Bank and Midland.

Bankers said yesterday that this degree of subordination could be worth an additional 0.3 per cent in yield.

- the wide yield spread also reflects the need to offer underwriters a buffer against some potentially large risks.

The firms have agreed to underwrite the paper at a fixed yield spread for an indeterminate period – possibly until August if the bid is delayed. This exposes them to the risk that yield spreads in the market as a whole will widen, leaving them owning bonds priced out of line with the market.

Moreover, the underwriting agreement does not protect underwriters against either "force majeure" or "material adverse change" in the condition of HSBC during the underwriting period.

The cost of underwriting a conventional 10-year subordinated bond issue in the Eurobond market is usually between 0.4 and 0.5 per cent of the amount raised – anything up to £2.25m for a deal of this size.

HSBC is likely to be paying at least this amount in terms of both fees and the wide yield spread at which the bonds are underwritten.

The underwriting syndicate assembled by HSBC contained no surprises: Schroder's and Cazenove are not known for underwriting capacity in the bond market but have relationships with HSBC and Midland.

Warburg is both an adviser to HSBC and a leading sterling bond firm.

Credit Suisse First Boston is one of the few main forces in the sterling market not allied to Lloyds, such as Baring Brothers, or owned by another UK clearing bank. A small number of other firms may be added to the underwriting syndicate today.

At £454m the issue would not be the largest sterling bond issue made by a company. In April, Hanson launched a £500m Eurosterling bond issue lead managed by CSFB.

However, earlier subordinated bond issues by banks have been far smaller in size – up to £150m. It is clear that the underwriters were only comfortable backing a £450m issue if the paper was priced to sell.

Colony perceives increased offer as an astute move

By Simon Holberton in Hong Kong

HONGKONG AND Shanghai Bank's increased offer for Midland Bank was last night seen in Hong Kong as an astute move which will cost the suitor little and probably assure it possession of the UK clearer.

Analysts believe that the injection of 65p cash a share will be enough to overcome UK investors' reservations about accepting Hongkong Bank debt – a key feature of its original offer.

Mr John Grey, the bank's deputy chairman, acknowledged the importance of this yesterday when he admitted to UK investors dissatisfaction with the absence of cash in the initial bid.

The higher offer, valuing Midland at 476p a share on Hongkong Bank's closing price of HK$48.5 in the colony yesterday, together with the regulatory hurdles which Lloyds still has to jump, makes it difficult for UK investors to turn it down, analysts said.

"It is the sort of offer which means Midland shareholders are not giving it away," said Mr Archie Hart, research director at Crosby Securities.

Hong Kong investors have not been thrilled by the prospect of the colony's biggest bank buying into Europe. Many have already defected, preferring to put their money into a "pure" Hong Kong bank, such as Hang Seng Bank.

Hongkong Bank's share price has underperformed its domestic market, while the latter has risen 20 per cent since mid-March, when Hongkong was in discussions with Midland.

Hongkong Bank's share price has increased by about 8 per cent in the period, and most of that was in the past couple of weeks.

"This market has tended to prefer news that this bid would not happen," said Mr John Mulcahy, research director of Peregrine Brokerage. "But that has also been a short-term reaction; with the removal of uncertainty I expect the bank's share price to improve."

Hong Kong analysts are, however, warming to the bid. They see the rationale for the bank – an essentially British institution – moving back to the UK ahead of the 1997 transfer of Hong Kong's sovereignty to China. Hongkong Bank is also buying a UK clearer, which it knows well is at the bottom of its earnings cycle.

Although the higher offer gives Midland a 25 per cent higher value than Hongkong Bank's original bid, the 23.5 per cent rise in the bank's share price since it announced the terms of its first offer for Midland on April 14 is responsible for most of the uplift in the value of the bid.

In reality, Hongkong Bank's bid is only 5 per cent better than its old offer, if investors had taken equity rather than debt. That offer yesterday would have valued each Midland share at 448p, while the new offer values the UK clearer at 476p a share.

Few in Hong Kong expect the mainland Chinese press to endorse the higher offer, but they do not see the Chinese government attempting to frustrate it either. The bank has kept the Chinese authorities informed of its plans and while they may not like all aspects of the Midland deal the Chinese are, above all else, pragmatic people.

NEWS DIGEST

Warburg chairman's salary leaps

SIR DAVID Scholey, chairman of SG Warburg, the City merchant bank, received a 134 per cent salary increase in the year to March 1992, according to Warburg's annual report.

The increase is bound to raise eyebrows in the City as it comes at a time when Sir David is being widely tipped to succeed Mr Robin Leigh-Pemberton as the next Governor of the Bank of England.

Most of the increase came from a £687,000 payment from a long-term performance-related pay scheme, linked to the Warburg share price. The scheme is operated by a committee of non-executive directors.

If Sir David does move to the Bank of England he will take a sharp cut in salary. Last month it was disclosed that Mr Leigh-Pemberton received a 28 per cent rise to £198,446 in 1991-92, but decided to waive all but 6 per cent of the increase.

A 17 per cent pay increase to £155,019 for the Governor in 1990 aroused controversy.

Warburg's annual report shows that three other directors waived emoluments of £134,000.

Strong second half for Atkins

Atkins Group, the Leicestershire-based textile manufacturer, returned to profits in the second half resulting in a pre-tax figure of £157,000 for the year to March 31, against £243,000 last time.

Second half profits increased from £51,000 to £205,000.

However, there were extraordinary charges of £242,000 (£302,000), relating to provisions on a property sale and an aborted acquisition, resulting in a retained loss of £368,000 (£416,000) after paying the dividend.

The shares fell 4p to 116p.

Mr David Haggett, chairman, said: "Our latest figures start to demonstrate the benefits of the actions taken over the past year." He added that the present half would reflect the seasonality of the business but garment and hosiery prospects were healthier.

Gearing had been cut over the year from 38 per cent to 34 per cent. The intention to sell property had been affected by the depressed market but Mr Haggett said there had been increased interest. The value of the properties had been reduced by £225,000.

Turnover amounted to £16.9m (£16.5m).

Earnings per share came out at 3.81p (5.25p). A final dividend of 4p makes a total for the year of 7.6p (9.6p).

High Gosforth £46,000 in red

High Gosforth Park, the racecourse and sports company, reported a pre-tax loss of £46,000 in the 1991 year against profits of £37,000.

The result was after an exceptional charge of £60,000 for cost of development proposals and a write-back of irrecoverable VAT provisions.

Turnover was £1.04m (£1.1m). Losses per share were 83p, against earnings of 31.1p. A maintained single final dividend of 15p is proposed.

Northern Investors net asset value rises

Northern Investors Company, the venture capital group, reported a net asset value per share of 289.4p at its March 31 year end. This compared with 276.8p at September 30 and with 255.6p a year earlier.

The surplus before tax improved to £446,000 (£373,000) and the net surplus was £348,000 (£287,000) for earnings per share of 9.3p (7.8p). The final dividend is 5p (4.5p) for an 8.5p (7.5p) total.

Mr Michael Denny, chairman of Northern Venture Managers which manages the portfolio, said the overall performance of the company's investments had been satisfactory.

However, he did not foresee much improvement in the economy generally over the coming months. The emphasis would remain on seeking out sensibly-valued and well-managed businesses, he added.

Helene raises £4.6m through placing

Helene, the clothing distributor, is raising £4.58m net through a placing of 24m shares at 20½p.

Existing shareholders will be able to apply for the offer on a 1-for-3 basis.

The shares closed at 22½p last night – a fall of 1¼p.

The company said the present year had started well with sales for the first four months ahead of the corresponding period.

The proceeds of the issue would be used for working capital to finance the increased turnover.

Cahill May Roberts advances 9%

Cahill May Roberts Group, the Dublin-based distributor of pharmaceutical products, yesterday reported a 9 per cent profits advance for the six months to end-March.

Pre-tax profits of this USM-quoted company rose from I£1.34m to I£1.46m (£1.32m). Turnover grew from I£44.2m to I£49.3m.

Tax took I£625,000 (I£610,000) after which earnings per share came out at 2.92p (2.55p). The interim dividend is raised to 0.77p (0.7p).

Mr Niall Crowley, chairman, said the results had been helped by a first-time contribution from AG & S Cope, the Manchester-based cash-and-carry specialist.

Perpetual shows recovery to £2.18m

Profits of Perpetual, the investment management and computer services company, rose to £2.18m pre-tax for the six months to March 31.

That compared with £903,000 for the same period last year when trading was adversely affected by the Gulf war.

The figure was struck on turnover of £121m (£60.3m). Funds under management increased by 9 per cent to £753m.

Earnings per share rose to 6.14p (2.37p) and the interim dividend is lifted to 1.2p (0.8p).

Directors said that with investor confidence "now improved in the UK" current sales were running at a high level with funds invested in the UK outperforming those in other markets.

Boddington attacks 'disappointing' pub operating profits

Restructuring lifts Devenish to £4.2m

By Philip Rawstorne

JA DEVENISH, the west country-based pub operating company, which may face a renewed bid from Boddington, the pubs, hotels and healthcare group, later this month, more than doubled interim pre-tax profits from £2.09m to £4.24m.

The outcome for the six months to March 31 reflected the effects of restructuring, including the sale of the loss-making Redruth brewery and a £1.2m reduction in interest charges, that followed Boddington's unsuccessful bid last year.

Turnover fell from £46m – £17.9m of which related to discontinued activities – to £30.4m.

Boddington has retained a 20.3 per cent stake and may resume hostilities after June 18. Mr Denis Cassidy, Boddington's chairman, seized yesterday on a "disappointing" fall in Devenish's pub operating profits for the half year from £6.05m to £5.85m. "Operating profits have shown no growth since 1990," he remarked.

Devenish, which announced yesterday that it is to acquire 28 pubs from Whitbread for £16.9m cash, stressed its determination to maintain its independence.

"Trading conditions have been difficult with the recession continuing," said Mr John Clark, chief executive. "Traditional pubs, which form the majority of our estate, have proved resilient; and the cost of repositioning a number of our operations on more traditional lines has been the prime factor in the small decline in operating profits.

"Everything is now in place for growth," Mr Clark added. "Our strategy is clearly focused on pub retailing and our acquisition policy has given us the pubs to work on. We aim to ensure that it is our shareholders who will benefit."

Earnings per share more than doubled to 5.8p and the interim dividend is raised 25 per cent to 1.5p.

The purchase from Whitbread, which follows the leasing of 115 pubs from the national brewer in April, will increase the Devenish estate to 539 houses compared with 376 last September.

Denis Cassidy: free to resume bid after June 16

The latest acquisitions include 18 Roast Inns and nine Henry's Cafe Bars. They are located mainly in the Midlands and the south of England, Devenish's targeted growth areas.

"These are high quality outlets operating in good sites with strong turnover and fit perfectly into our development criteria," said Mr Clark.

Devenish will pay £14.9m on completion of the deal – expected in August, subject to shareholders' approval – and the £2m balance in February next year. The acquisition will increase borrowings to about £40m, less than 30 per cent of shareholders' funds.

Metro Radio shares fall on drop to £670,000

By Maggie Urry

METRO RADIO Group, the USM-quoted local radio station operator, saw its shares drop 18p to 196p when it announced a fall in profits for the half year to March 31.

The pre-tax line was down from £709,000 to £670,000. The interim dividend, however, is maintained at 1.5p.

Metro is based in Newcastle and in October 1990 acquired Yorkshire Radio Network for £16m.

Trading profits were 4 per cent ahead at £815,000 (£782,000) on turnover up 19 per cent from £5.84m to £6.96m. Higher net interest charges of £145,600 (£73,000), reflecting the YRN acquisition, caused the pre-tax profit fall. Earnings per share were 2.84p (3.05p).

Mr Neil Robinson, chairman and chief executive, said that a considerable investment in the YRN business since acquisition, particularly in Sheffield, was now bringing higher audiences, revenues and profitability. The investment would mean revenues could be increased in future without expanding the cost base.

In the Yorkshire area sales were up 54 per cent but were 6 per cent lower in the north-east of England. Group advertising revenues were up 16 per cent and accounted for £5.94m of total turnover.

Mr Robinson, who is shedding his chief executive role at the end of the year, said that the second half of the financial year had "started fairly well" although trading conditions were not consistent with variations from month to month and market to market, making it difficult to give a clear indication of the year's outcome.

Mr John Josephs is to become group managing director, while his role of finance director will be taken by Mr Eric Lawrence, currently financial controller.

TSB to take full control of Jersey subsidiary

By David Barchard

TSB, the seventh largest UK banking group, is to buy out the minority shareholders in TSB Bank Channel Islands, its Jersey-based subsidiary.

TSB said TSBCI would continue to offer a full range of clearing bank services in the Channel Islands, but it now plans to use its operation on the islands to develop offshore businesses.

The four independent directors on the TSBCI board are recommending shareholders to accept the offer.

Mr Alastair Dempster, TSBCI's chief executive, who was recently appointed chief executive of TSB Bank Scotland, will be succeeded by Mr Martin Chambers, managing director of Hill Samuel Bank (Jersey), as soon as the offer becomes effective.

TSBCI had total assets of £1.34bn at the end of April. Its half year results to April 30 announced yesterday showed a pre-tax profit of £4.77m, against a loss of £483,000 in the same period a year ago when it was hit by a £5.78m loss on foreign exchange irregularities in its Treasury.

Earnings per share were 13.19p, against losses of 1.39p per share a year ago. The interim divided is 4p (3.45p).

In the year to October 31 1991, TSBCI made pre-tax profits of £4.48m and had a net asset value of £52.7m.

About 49 per cent of TSBCI's shares were floated on the Stock Exchange in 1986. TSB Group already owns all the A ordinary shares in TSBCI and controls 51 per cent of the total stock.

TSBCI shareholders will be offered 250p cash for each share or seven new TSB group and 13p in cash for every four TSBCI shares.

The offer is 63 per cent above the TSBCI closing price of 153p on May 29.

Consultancy expansion for Ernst & Young

By Andrew Jack

ERNST & YOUNG, the accountancy firm, has purchased a 12 per cent stake in Kalchas, a London-based strategic consultancy, in the first of a number of alliances it plans to help broaden its consulting arm over the next three years.

Kalchas, which expects to bill more than £3m this year, will remain at arms' length, preserving client confidentiality and operating with separate offices, projects and staffing.

Discussions on the purchase began 18 months ago, and the firms have begun to tender for projects jointly.

Mr Clive Williams, head of consulting at Ernst & Young, said he planned to take several more stakes in other firms in particular market segments or offering special services as part of a process of "branding" the consultancy arm.

The purchase price has not been disclosed. Ernst & Young will receive dividends and voting rights in proportion to its stake. It may buy more shares in the future, but stressed that it wants Kalchas to remain a separate company.

Kalchas – named after the adviser to Agamemnon in Greek mythology who is credited with inventing the Trojan horse – was formed in 1988 by two partners from Bain and one from McKinsey, the consultancy firms.

It now has two additional junior partners and 30 professional staff, and specialises in offering long-term strategic consulting to senior executives. The consultancy division of Ernst & Young has about 500 professionals.

Fairey/Arcom

Fairey Group, the specialist engineer, has bought the remaining 37.8 per cent minority holding in its Arcom Control Systems subsidiary for £1.06m through the issue to the vendors of 252,260 ordinary shares.

Arcom's pre-tax profits for 1991 were £231,000.

JS Pathology agrees £23m bid as profits shrink to £1.26m

By Jane Fuller

JS PATHOLOGY, the UK's only quoted clinical pathology company, is being bought for £23.1m by Corning, the US speciality glass and laboratory services group.

Corning is offering 175p cash for each of JS share. It will become part of its CLSI laboratory services subsidiary.

Dr Jean Shanks, chairman and chief executive, has accepted for her 52.2 per cent of the equity. She and other members of the management will stay on.

JS also released results yesterday for the year to March 31. Pre-tax profit, which peaked at just over £4m in 1987-88, fell from £2.66m to £1.26m.

A £1m tax credit after three years of over-provision led to earnings per share of 8.5p before the gain and 16.5p after it, compared with 13.2p.

The final dividend is omitted leaving shareholders with 1.8p (5.5p) for the year.

Mr Eric Rothbarth, finance director, said the group had assumed no capital allowances when it was in fact entitled to them.

Net assets stood at £13.6m and net debt had risen to £4.9m after the completion of a £14.5m investment in new premises at Camden Lock, north London.

The disruption and cost of the move, from Harley Street, was one of the reasons for the profits decline over the past two years.

Others were cuts in corporate occupational health schemes during the recession, increased competition and a reduced number of clinical trials in the wake of pharmaceutical company mergers.

JS came to the USM in 1985 with a market value of just over £19m and a flotation price of 160p.

On the brink of the October 1987 crash, it had soared to 675p. Mr Rothbarth said the company's p/e ratio had tended to run at between 20 and 60, "making it difficult to value".

Although the group was emerging from a difficult period, the decision to sell would enable the management to "get down to serious work" after being chased.

Corning made the only offer, but there had been interest from other parties and Dr Shanks, at 66, had been keen to see the company "in safe hands."

Mr Rothbarth added that benefits would follow from liaison with CSLI's laboratories in the US and from doing pathology work for some of its European operations.

It was announced on May 26 that JS was in bid talks following a 33 per cent jump in its share price to 153p. In February the price had sunk to 94p. It gained 16p yesterday to close at 170p.

HunterPrint £3.85m in loss and warns on year

By Angus Foster

HUNTERPRINT, the specialist printer which new management is trying to turn round, yesterday announced an interim loss and said previous forecasts of profits for the full year were premature.

The company, which came close to collapse before a refinancing and management shake-up 15 months ago, reported pre-tax losses of £3.85m for the 26 weeks to March 31, compared with a £4.68m loss in the corresponding period.

Mr Geoff Eades, who took over as finance director in January, said there was little prospect of a profit for this year. "We may have raised expectations too early," he said.

Depressed margins, which have remained worse than anticipated, were to blame for the result. Because of recession, large contract printers have entered the spot, or one-off, market in which HunterPrint specialises.

Turnover increased by 24 per cent to £28.8m. Sir Ian MacGregor, chairman, said order books were 43 per cent higher than a year ago, and new business wins included a 1.5m copies-a-week contract for the Sunday People colour supplement.

Operating losses were contained at £2.3m (£4.29m). Interest costs were little changed at £1.54m (£1.64m). Borrowings increased slightly to £30m (£27m) on shareholders' funds of about £3.5m. The company was cash negative for the period, although it generated cash during the first quarter, Mr Eades said.

Losses per share were 2.15p (3.89p). Again no dividend is being paid.

There was a retained loss of £3.86m (£4.61m retained loss).

Chester Waterworks

Chester Waterworks reported profits before tax of £2.45m for the 15 month period to March 31 1992, against £1.79m for the 1990 year. Turnover expanded to £6.58m (£4.62m).

Cost savings help Cheam rise to £2.4m

Efficiency savings and reduced operating expenses helped Cheam Group, formerly Sutton District Water, to a 16 per cent profit increase for the year to March 31.

The pre-tax figure came out at £2.4m, against £2.07m for the previous 12 months, struck on turnover up from £10.8m to £12m. The reported comparable figures for the 15 months to March 31 1991 showed profits of £2.37m on turnover of £12.8m.

An unchanged final dividend of 4p is proposed, making a 7.5p for the year against the same for the 15 months.

BOARD MEETINGS

TODAY

Interims- First Philippine Inv Trust, Sturge, Turkey Trust.

Finals- CML Microsystems, Golden Hope Plantations, Reed Intl, St James's Place Capital, Slebe, VSEL Consortium.

FUTURE DATES

Finals-

Betterware	June 8
CST Emerging Asia Trust	June 4
Dowty	June 5
Halma	June 22
Marshalls	June 9
Midlands Electricity	July 1
Powerscreen Intl	June 9
Staveley Inds	June 11
Welpac	June 15

COMMODITIES AND AGRICULTURE

Canada welcomes EC fishing curb, with reservations

By Bernard Simon in Toronto and Andrew Hill in Brussels

CANADA HAS welcomed the European Community's unexpected decision to suspend fishing in the north-west Atlantic, but with the strong reservation that more time is needed to assess whether it will be implemented effectively.

A senior government official in Ottawa said yesterday that the move was "a positive first step". In particular, the Canadians welcomed the move as an acknowledgement by the EC of the serious conservation problem in the north-west Atlantic.

According to Canadian surveillance records, community vessels caught less than 7,000 tonnes of northern cod in the first four months of this year, about a quarter of their catch a year earlier. The EC's total self-imposed quota for this year is 27,000 tonnes.

There is concern, however, that the EC decision, which affects only northern cod and some minor species, could mark the beginning of a strategy of "pulse" fishing similar to that pursued by the Soviet Union in the late 1960s. This involves concentrating on one species until it is all but destroyed.

"We're waiting to see if that's what they're going to do," the Canadian official said. Ocean perch and southern cod are seen as especially vulnerable.

The Canadians also question the strength of the community's commitment to enforce the suspension. Canada spends C$10-15m (£4.5m-£6.8m) a year on aircraft surveillance in the north Atlantic (including the use highly sophisticated radar equipment), and has 1,000 uniformed and armed fisheries inspectors.

While welcoming the EC decision, Canada sees strong political overtones in its timing. Some politicians suspect that it is designed to blunt a resolution on fisheries conservation proposed by Canada and 39 other countries at this week's Earth Summit in Rio de Janeiro.

The Canadian government is also upset that news of the EC decision was released only to the media in Ottawa, and only in French. Mr John Crosbie, Canada's fisheries minister, does not speak French, nor do the vast majority of Canadian fishermen.

The EC warned that its decision might be rescinded in October or November if stocks recovered sufficiently and emphasised that in its view Canada's problems were due above all to overfishing within its 200-mile territorial waters, not to EC activity, which it called insignificant given the scale of the problem.

The community's decision to declare a moratorium coincided with a two-day meeting of the North-west Atlantic Fisheries Organisation's scientific committee in Halifax, Nova Scotia, to discuss the question of fish conservation in the area.

"We will abide by anything [the committee] suggests," said a European Commission official yesterday. "But we still maintain that even if there is a very serious problem with the stocks [in the Grand Banks area], that is not the reason for the problems within Canada's 200-mile limit."

The commission reacted angrily to suggestions that its moratorium would simply provide Portuguese, Spanish and German boats with an excuse to fish out other species in the area. It also dismissed the allegation that it had only released the statement in French – a common practice in Brussels – to pique the Canadian fishing authorities.

"We want to show that we are credible as far as respecting our own quota is concerned," said the official.

Iceland faces call for 40% cut in cod catch

ICELANDERS FACE bleak economic times if their government follows new advice and orders a sharp cut in fishing for cod, its most important foreign exchange earner, reports Reuter from Reykjavik.

An advisory committee of the International Council for Exploration of the Seas said yesterday that the cod stock around the North Atlantic island could collapse unless the annual catch quota was reduced by 40 per cent in 1993.

"This is the worst news that the Icelandic fishing industry has received, ever," said Mr Thorsteinn Palsson, the fisheries minister.

Iceland, with a population of 250,000 and gross domestic product per capita of $25,000, relies on fish exports for more than half of its foreign currency earnings. If the cod catch is cut by 40 per cent GDP could fall by 4 to 5 per cent in 1993, the state-run National Economics Institute estimated. Earlier the NEI had forecast a 1 per cent median rise in GDP for the next three years.

Foreign currency income would fall by 10 per cent in 1993 if the council's advice was followed, the institute said.

"We are going to have to re-examine our economic policies in this light," said Mr Thordur Fridjonsson, head of the NEI.

Mr Palsson has until the end of July to decide on quotas for 1993. He is expected to make up his mind after Icelandic experts have given their advice.

Cod constitutes 40 per cent of Iceland's fish exports, which in turn make up 80 per cent of national exports.

Despite a rigid quota system designed to conserve the stocks, the cod stock has been decreasing steadily over the past three decades. Iceland's trawlers are expected to catch a total of 250,000 tonnes of cod in 1992. The ICES committee recommended that the catch be lowered to 150,000 in 1993.

Bolivia sees pots of profit in coca cuppa

Christopher Philipsborn on hopes for a legal export trade in the notorious leaf

BOLIVIA HAS begun an international campaign to legalise coca leaf exports in the form of herbal tea, in a bid to replace the leaf's better known derivative – cocaine.

The government believes coca leaf exports could become more profitable than cocaine. The leaf has traditionally been chewed to ward off hunger and discomfort. But is also makes a pleasant tea-like infusion called "mate de coca" which is distributed mainly in tea-bag form throughout Bolivia and much of Peru. Coca leaf is also used in a number of herbal remedies.

Mr Jaime Paz Zamora, the Bolivian president said recently: "I am convinced that the coca leaf has a legal use, and should not be under "house arrest" by being restricted to Bolivia".

Mr Ronald MacLean, the foreign minister, made a formal statement at the 22nd assembly of the Organisation of American States in Nassau calling for "the legitimate industrialisation and commercialisation of the sub-products derived from the innocent coca leaf and its protein-rich and medicinal qualities".

Coca and its derivatives are classified as intoxicants by the Vienna Convention as it takes only a relatively simple chemical process to turn the leaf into the highly profitable drug cocaine hydrochloride. Mate de coca, however, is a harmless and widely drunk herbal tea in the Andean countries.

Indeed the Bolivian government believes that exports of coca tea-bags, would bring in substantial export revenues. President Paz claims exports of tea to 5 per cent of the world market would generate greater revenue than the country's gas exports to Argentina, last year worth $215m. The potential price for legally processed coca is estimated at $100 a kg.

While the government is sincere in its aim to legalise certain coca exports, the issue is partly political. Bolivia sent substantial quantities of coca leaf to Spain last month with the intention of demonstrating its tea-making and other properties to visitors to the Bolivian stand at Expo 92 in Seville. But Spanish customs caused a storm in a tea-cup by impounding the entire shipment.

The action caused outrage in Bolivia and prompted a hurried visit by Queen Sophia of Spain, who valiantly drank gallons of coca tea at every available opportunity in an effort to patch up relations.

Nevertheless, the issue remains a serious one. While Bolivia is being pushed by the US to reduce the amount of coca it cultivates, the country has no obvious alternative cash crops or other exports to take its place at present. Bolivia is South America's poorest country, with little effective infrastructure. Coca is easy to transport and continues to fetch better prices than any other potential substitute. Legalising the exportation of the harmless tea it produces would be a small but significant step towards weaning the country away from economic dependence on cocaine.

Chile's golden goose close to starvation

Lesley Crawford on a history of under-investment in the state-owned copper industry

Codelco must clean up the environmental mess caused by its old-fashioned smelters

IT IS beginning to dawn on Chileans that Codelco, the state-owned copper corporation, is not the source of inexhaustible wealth they once believed.

The world's leading copper producer and Chile's biggest company, Codelco has been milked dry over its 16-year existence. It has provided more than $17bn to the state's coffers – about 20 per cent of the government's yearly income – since its creation in 1976. But the government has reinvested only 0.2 per cent of Codelco's profits back into the company.

The corporation is now showing all the symptoms of this prolonged starvation. Profits in the first three months of 1992 plummeted by 38 per cent to $175m. Falling copper prices are partly to blame, but rising production costs at its ageing mines are also gnawing away at the company's profitability. Last year, Codelco mustered only $870m for the Treasury, compared with $1.5bn in 1990 and almost $2bn in 1989.

"The lesson of all this is that Codelco's bounty is not eternal," says Mr Jorge Bande, the company's planning director. "We either regain our competitiveness or we die."

Codelco has now prised a bigger investment budget from the claws of the Treasury. Over the next five years it plans to spend $2.8bn to develop new mines, modernise its production processes and clean up the environmental mess caused by its old-fashioned smelters.

But money is only part of the solution. Hidden from public view, a far more fundamental struggle is taking place over how Codelco should be run. The struggle pits the company's young management team, which took over the reins two years ago, and Codelco's board of political appointees. The seven-man board of directors includes the ministers of mining and finance, a general of the paramilitary police force, two other members chosen by President Patricio Aylwin, and two trade union representatives.

It is significant that Mr Alejandro Noemi, Codelco's chief executive, only feels free to air his views when he is out of the country. He told a meeting of the Council of the Americas in New York last month: "We must promote efficient management minimising political interference and adopting a long-term view of resource allocation and strategic planning."

Mr Noemi, who came close to resigning last year after repeated clashes with Mr Juan Hamilton, the mining minister, pleaded for a board of directors "free of party ties, not linked to any single government and guided by the permanent interests of the country."

He said Codelco needed to forge a new relationship with its owners. "This relationship should be based on a truly independent administration."

Mr Noemi wants to be allowed to run Codelco as a business that competes on an equal footing with other mining multinationals. It is unlikely that he will ever be allowed to do so. Codelco is too important to the Chilean economy: it produces 13 per cent of the world's copper, close to a third of Chile's exports, a fifth of the government's income and about 4.5 per cent of the country's GDP.

A tenth of its gross sales, which totalled $2.77bn last year, goes directly to the armed forces. In spite of the country's recent transition to democracy few Chileans feel bold enough to question why the military should be the beneficiary of such largesse.

Codelco executives concede that full autonomy is too explosive a political issue to be raised in the final two years of the Aylwin government. But they hope that a recent law, allowing Codelco to form joint ventures to explore and develop new mines, is a step in the right direction.

The new law was muddied at the last moment by a presidential clause urging Codelco to "aim for majority control" in its new partnerships with the private sector.

This did not go down well with the mining multinationals established in Chile. "The last-minute clause is a warning of the political meddling to expect in doing business with Codelco," one Santiago-based executive said. Most companies said they liked to have majority control over their investments.

Codelco's executives see the law as a key factor in the company's long-term development strategy. It will allow the state company to seek partners when it does not have resources to develop mining projects on its own. Codelco owns a third of the registered mining property in Chile, but investment restrictions have limited exploration and development work.

Potential partners want to see proof, however, of a more modern management ethic at Codelco before talking business.

The test case will come with the development of the Radomiro Tomic copper deposit, close to Codelco's Chuquicamata division in the Atacama desert. The Tomic mine is the first project Codelco begins from scratch and the company is keen to prove that it can run a new mine as efficiently as its rivals in the private sector.

Mr Bande says Tomic will be free of the rigidities that plague Codelco's four existing divisions: the top-heavy administration, widespread absenteeism and old mines with escalating production costs and dwindling reserves.

Codelco has set up a separate division to study the feasibility of the $450m-venture. It is headed by Mr Holger Bannach, Chuquicamata's former general manager. Tomic will be a medium-sized operation with an annual production of some 150,000 tonnes of refined copper. A firm decision on the project is expected to be taken at the end of this year, with 1995 as a possible start-up date.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,725-1,750 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.40-3.00 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.75-0.95 (0.80-1.00).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 26-27 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 140-160 (150-150).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.20-2.25 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 55-64 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.05-2.15 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.75 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+4,000	to 1,243,125
Copper	+600	to 265,350
Lead	−1,125	to 132,075
Nickel	−114	to 27,678
Zinc	+1,800	to 267,125
Tin	+100	to 13,165

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER broke out from its recent very narrow trading range on the LME, but did not attract a significant volume of follow-through interest. However, traders believe it is now likely to support a higher trading range, citing labour talks at two big North American producers, hopes for economic recovery in the US, and a relatively low level of stocks. Traders do not expect a price explosion, but they see a test of $2,260 a tonne for three-month metal and possibly a look at this year's high of around $2,275 before the market establishes a new range. Three-month **TIN**, encouraged by a strong Kuala Lumpur market, initially soared to a 21-month high of $6,495 a tonne before profit taking emerged. Traders believe the rise will continue on the back of a shrinking world tin surplus, possible support via the options market and constructive charts. The premium for cash **ZINC** over three-month metal widened further. Traders are concerned about today's June option declarations, with the possibility of further nearby short covering resulting if June $1,500 options are called. **PLATINUM** and **SILVER** moved ahead on the London bullion market on mixed US economic data.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.65-8.85y	-.025
Brent Blend (dated)	$20.80-0.95	-.025
Brent Blend (Jul)	$20.75-0.85	-.025
W.T.I (1 pm est)	$22.05-2.10y	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$222-224	
Gas Oil	$184-185	-1
Heavy Fuel Oil	$84-86	+1
Naphtha	$191-193	
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$338.75	+1.55
Silver (per troy oz)♣	408c	+7
Platinum (per troy oz)	$374.0	+7.5
Palladium (per troy oz)	$80.25	+1.0
Copper (US Producer)	108.84c	+1.43
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	15.90r	+0.42
Tin (New York)	298.5c	+2.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.17p	+0.66*
Sheep (live weight)†♠	90.95p	+13.6*
Pigs (live weight)†	98.67p	+3.69*
London daily sugar (raw)	$244.8t	-7.6
London daily sugar (white)	$293.0t	-2.5
Tate and Lyle export price	£242.5	-3.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£147.5	
Wheat (US Dark Northern)	£120	
Rubber (Jul)♥	52.50p	-0.75
Rubber (Aug)♥	52.50p	-0.75
Rubber (KL RSS No 1 Jun)	218.5r	
Coconut oil (Philippines)§	$605.0t	-10
Palm Oil (Malaysian)§	$385.0y	-7.5
Copra (Philippines)§	$400	+2.5
Soyabeans (US)	£148.0z	
Cotton "A" index	61.70c	+0.10
Wooltops (64s Super)	447p	+23

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jun/Jul y-July w-Apr z-Jun. q-May †Meat Commission average fatstockprices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	220.20	217.00	219.00 216.00
Oct	208.20	207.00	208.60 206.60
Dec	200.00	195.00	196.00
Mar	201.00	198.80	200.00
White	**Close**	**Previous**	**High/Low**
Aug	285.00	284.50	285.00 283.50
Oct	269.00	268.50	269.00 268.30
Dec	269.00	268.50	268.70 267.80
Mar	272.70	271.00	272.80 272.00

Turnover: Raw 159 (307) lots of 50 tonnes. White 1175 (793)
Paris- White (FFr per tonne): Aug 1577.42 Oct 1481.76

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Jul	20.82	20.79	20.86 20.63
Aug	20.73	20.68	20.78 20.56
Sep	20.67	20.65	20.71 20.50
Oct	20.59	20.56	20.62 20.47
Nov	20.47	20.46	20.55 20.40
Dec	20.45		20.45 20.35
IPE Index	20.85	20.64	

Turnover 19585 (19897)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jun	184.25	184.50	184.25 182.75
Jul	184.50	186.25	184.75 183.50
Aug	185.75	187.50	186.75 185.50
Sep	188.50	189.25	188.75 187.50
Oct	191.25	191.25	191.25 189.50
Nov	192.50	192.75	192.50 191.50
Dec	194.00	194.25	194.00 193.25

Turnover 12209 (14069) lots of 100 tonnes

JUTE
June/July c and f Dundee BTC $365, BWC N/O, BTD $365, BWD N/O; c and f Antwerp BTC $370, BWC $370, BTD $350, BWD $350.

COTTON
Liverpool- Spot and shipment sales for the week ending May 29 amounted to 236 tonnes against 394 tonnes in the previous week. Sales were at minimum levels mainly occuring in American and Egyptian growths.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	544	547	549 543
Sep	566	569	571 566
Dec	602	604	606 600
Mar	633	636	631 630
May	653	656	654 652
Jul	673	676	679 673
Sep	693	696	692

Turnover: 3903 (5617) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 1 691.84 (686.79) 10 day average for Jun 2 702.40 (706.31)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jul	715	729	725 711
Sep	735	746	749 733
Nov	755	767	767 755
Jan	770	783	786 770
Mar	789	800	805 790
May	801	826	[illegible] 810

Turnover:1226 (2283) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 1: Comp. daily 48.94 (49.72) 15 day average 49.58 (49.80)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	92.5	93.4	94.0 92.0

Turnover 105 (214) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	127.00	-	127.00
Aug	125.00		125.00
Oct	129.50		129.50

Turnover 600 (0)lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jun	1134	1160	1160 1134
Jul	1063	1085	1080 1060
Aug	1090	1133	1100 1090
Oct	1194	1205	1210 1194
Jan	1223	1230	1230 1223
BFI	1256	1261	

Turnover 344 (81)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jun	123.20	121.10	123.50 121.50
Sep	109.85		109.90 109.85
Nov	113.35	113.40	113.40 113.20
Jan	116.90	117.10	117.00 116.90
Barley	**Close**	**Previous**	**High/Low**
Sep	106.95	107.00	106.95

Turnover: Wheat 73 (193) , Barley 0 (57).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	119.0	120.6	119.6 118.0
Jul	110.8	111.0	111.0 110.4
Aug	103.5	103.5	103.0
Sep	106.0		106.5 105.5
Oct	108.0	108.0	107.5
Nov	108.3	108.0	108.3 108.0

Turnover:38 (17) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 19,016 lots
Cash	1309-10	1306-7	1309/1306	1308-8.5		
3 months	1335-6	1331.5-2	1337/1332	1333.5-4	1331-2	189,686 lots
Copper, Grade A (£ per tonne)						Total daily turnover 54,803 lots
Cash	1225-6	1214-5	1231/1230	1231-1.5		
3 months	1262-4	1241.5-2	1259/1254	1258-9	1254-4.5	101,516 lots
Lead (£ per tonne)						Total daily turnover 7,885 lots
Cash	292-4	292-2.5		293-3		
3 months	304-6	304-4.5	303.5/304	304-5	307-8	17,004 lots
Nickel ($ per tonne)						Total daily turnover 3,162 lots
Cash	7345-50	7330-40	7375/7370	7370-5		
3 months	7435-40	7420-5	7478/7440	7460-5	7475-8	22,691 lots
Tin ($ per tonne)						Total daily turnover 2,242 lots
Cash	6415-25	6390-400		6425-35		
3 months	6460-5	6427-30	6495/6455	6465-70	6470-5	8,540 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 19,997 lots
Cash	1455-60	1432-4	1453/1452	1452-3		
3 months	1275-6	1252-3	1282/1274	1276-7	1274-5	59,784 lots

LME Closing US rate
SPOT: 1.8250 3 months: 1.7992 6 months: 1.7731 9 months: 1.7543

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	338.55-338.95	
Opening	337.50-337.80	
Morning fix	337.75	186.129
Afternoon fix	339.00	186.368
Day's high	339.30-339.60	
Day's low	337.50-337.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.41	6 months	3.39
2 months	3.38	12 months	3.59
3 months	3.38		

Silver fix	p/fine oz	US cts equiv
Spot	223.85	407.15
3 months	229.30	411.05
6 months	234.65	415.20
12 months	245.65	425.70

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	339.00-340.00	186.25-186.75
Maple leaf	350.00-351.00	192.50-193.00
New Sovereign	83.00-84.00	45.50-46.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1200	136	118	4	3
1300	62	31	27	12
1400	4	23	53	64
Copper (Grade A)	**Calls**		**Puts**	
2100	150	159	3	3
2200	54	75	4	17
2300	4	23	53	64
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
650	66	91	1	6
700	24	53	9	18
750	5	27	40	42
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
550	8		14	
575	2	21	33	28
600	0	15	56	45
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
2000	75	92	5	
2050	42	60	21	53
2100	14		49	79

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	339.3	337.6	339.7	338.7
Jul	340.2	338.7	0	0
Aug	341.2	339.6	341.5	340.3
Oct	343.1	341.5	343.2	342.7
Dec	345.2	343.6	345.6	344.3
Feb	347.5	345.9	0	0
Apr	349.8	348.2	0	0
Jun	352.3	350.7	0	0
Aug	355.0	353.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	377.2	368.3	377.5	373.0
Oct	381.5	372.3	382.0	377.0
Jan	381.0	371.8	379.5	377.0
Apr	381.2	372.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	407.4	403.8	0	0
Jul	408.3	404.7	410.0	406.5
Aug	410.1	406.5	0	0
Sep	411.4	407.8	413.0	410.0
Dec	416.1	412.5	417.5	414.5
Jan	417.8	414.2	0	0
Mar	421.4	417.8	421.0	421.0
May	425.1	421.5	0	0
Jul	428.8	425.2	429.0	428.0
Sep	433.1	429.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	102.35	102.30	102.60	102.30
Jul	102.35	102.30	102.80	102.30
Aug	102.30	102.30	0	0
Sep	102.20	102.30	102.70	102.15
Oct	102.20	102.30	0	0
Nov	102.20	102.30	0	0
Dec	102.20	102.30	102.70	102.20
Jan	102.00	102.15	0	0
Feb	101.80	102.00	0	0
Mar	101.60	101.90	102.10	101.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Jul	22.11	22.03	22.17	21.88
Aug	22.12	22.06	22.17	21.89
Sep	22.07	22.00	22.10	21.86
Oct	22.00	21.93	22.02	21.80
Nov	21.89	21.82	21.92	21.70
Dec	21.79	21.72	21.84	21.60
Jan	21.69	21.61	21.72	21.61
Feb	21.57	21.50	21.56	21.55
Mar	21.46	21.39	21.47	21.30
Apr	21.35	21.28	21.37	21.25

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Jul	6038	6025	6090	5975
Aug	6078	6078	6130	6030
Sep	6195	6188	6225	6150
Oct	6286	6278	6300	6245
Nov	6378	6367	6385	6330
Dec	6456	6430	6490	6410
Jan	6473	6450	6480	6430
Feb	6348	6325	6360	6290
Mar	6106	6090	6130	6090
Apr	5898	5880	5880	5880

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	887	878	875	867
Sep	910	923	918	910
Dec	965	976	970	964
Mar	1016	1026	1019	1014
May	1047	1059	1048	1046
Jul	1077	1090	1077	1075
Sep	1108	1118	0	0
Dec	1141	1153	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	61.15	63.30	63.25	61.00
Sep	63.25	65.40	65.30	63.05
Dec	66.10	68.10	68.15	66.00
Mar	68.65	70.90	70.80	68.65
May	72.95	74.90	74.75	72.75
Jul	75.50	77.35	77.00	75.50
Sep	77.60	79.40	78.25	77.90

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	9.89	9.73	9.97	9.74
Oct	9.29	9.29	9.35	9.25
Mar	9.20	9.18	9.24	9.16
May	9.15	9.15	9.16	9.12
Jul	9.06	9.05	9.12	9.10
Oct	9.02	9.00	9.10	9.10

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	59.10	58.43	59.50	58.15
Oct	60.18	60.08	60.60	59.85
Dec	60.21	60.33	60.70	59.90
Mar	61.47	61.58	61.55	61.20
May	62.05	62.05	62.05	61.70
Jul	62.30	62.35	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	131.80	130.85	132.40	130.00
Sep	124.45	123.80	125.50	123.60
Nov	118.30	117.50	118.40	117.60
Jan	116.50	115.95	117.90	115.75
Mar	115.95	115.40	117.00	117.00
May	115.45	114.85	0	0
Jul	115.45	115.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jun 2	Jun 1	mnth ago	yr ago
1596.7	1599.1	1592.8	1725.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun 1	May 29	mnth ago	yr ago
Spot	116.65	117.31	118.37	129.76
Futures	118.42	117.77	118.63	126.36

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	630/0	620/4	631/0	622/6
Aug	633/0	623/4	633/4	625/2
Sep	637/6	626/2	638/0	631/4
Nov	643/2	635/4	645/0	637/4
Jan	649/6	642/6	651/4	644/4
Mar	657/6	651/0	658/4	652/4
May	662/0	657/0	663/0	657/0
Jul	662/0	660/4	665/0	660/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	22.09	21.94	22.10	21.78
Aug	22.22	22.08	22.25	21.88
Sep	22.40	22.35	22.41	22.15
Oct	22.52	22.42	22.52	22.26
Dec	22.75	22.70	22.77	22.50
Jan	22.90	22.82	22.90	22.85
Mar	23.05	23.07	23.10	22.90
May	23.15	23.32	23.25	23.10

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	187.1	184.2	187.5	184.5
Aug	187.2	184.5	188.2	184.8
Sep	187.3	184.8	188.3	185.5
Oct	205.8	203.5	207.0	203.8
Dec	205.7	203.4	207.5	204.0
Jan	206.2	204.0	207.1	205.0
Mar	206.7	206.5	208.6	206.0
May	208.0	206.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	263/0	258/6	263/2	260/0
Sep	266/4	262/2	267/0	263/2
Dec	270/6	266/4	271/4	268/6
Mar	278/2	273/6	278/6	274/2
May	281/0	278/0	281/4	278/0
Jul	285/4	283/0	285/6	281/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	358/0	354/0	359/0	356/0
Sep	362/2	359/2	363/4	360/2
Dec	371/2	367/4	372/0	369/4
Mar	371/2	369/0	372/2	369/4
May	361/2	357/4	0	0
Jul	338/0	338/0	338/0	338/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	72.350	72.575	72.925	72.300
Aug	70.100	70.275	70.575	70.075
Oct	69.100	69.400	69.550	69.050
Dec	68.850	69.075	69.200	68.800
Feb	68.700	68.850	69.000	68.625
Apr	70.000	70.075	70.050	70.000

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	47.325	47.075	47.400	46.750
Jul	45.225	45.150	45.300	44.900
Aug	42.825	42.750	43.125	42.750
Oct	39.900	39.700	40.000	39.750
Dec	42.675	42.675	42.900	42.600
Feb	43.600	43.725	43.900	43.600
Apr	42.775	42.750	42.800	42.700

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	32.700	32.150	32.850	32.100
Aug	30.725	30.250	30.950	30.250
Feb	44.250	44.125	44.400	43.750
Mar	43.700	43.600	43.900	43.400
May	44.600	44.550	44.600	0

LONDON STOCK EXCHANGE

Falls in drug stocks check advance

By Terry Byland, UK Stock Market Editor

TRANSATLANTIC pressures on the big pharmaceutical stocks, together with Wall Street's failure to maintain its overnight momentum, yesterday undermined early gains on the London stock market.

UK stocks opened strongly after Wall Street's overnight rise to a new peak, and received a further boost when Hongkong and Shanghai Banking Corporation increased its offer for Midland, the UK clearing bank, to £3.9bn.

At mid-morning, the FT-SE Index was nearly 20 points up, although trading levels were not much higher than in the previous session. There was little support behind the early advance, however, and London was already drifting off when Wall Street made a disappointing start to the new session, reversing its early gain to show a fall of several Dow points in UK trading hours.

By the close of business, the gain on London had been *smartly trimmed for a final* reading on the FT-SE Index of 2,705.9, a gain on the day of 8.3 points, with traders sounding unconvinced by the recovery of *the Footsie 2,700 mark.*

The weaker showing of the second half of the session was a reflection of Wall Street, where the implications of disappointing quarterly trading figures from Bristol-Myers Squibb quickly reached Lon*don and* helped reverse early gains in Glaxo and SmithKline Beecham, both of which closed the day on the downside.

Account Dealing Dates		
*First Dealings:		
May 11	Jun 1	Jun 15
Option Declarations:		
May 28	Jun 11	Jun 25
Last Dealings:		
May 29	Jun 12	Jun 26
Account Day:		
Jun 8	Jun 22	Jul 6

*New-time dealings may take place from 9.30 am two business days earlier.

The attention of the trading *desks was focused on shares in* Midland Bank, after the new terms from Hongkong & Shanghai Bank were interpreted in the London market as a possible knockout blow. Dealers believe that it will be difficult for Lloyds Bank to unveil a counter stroke at its meeting on Friday, if only because of the timetable imposed by the UK Monopolies Commission inquiry into its proposed offer for Midland. *Shares in Lloyds Bank* eased yesterday as the stock market awaited news from the bank's boardroom.

Midland shares were heavily traded in London, recording 29m of the day's 493.8m shares total, which compared with 425.3m on Monday. Traders believed that yesterday's activity *in Midland* reflected arbitrage buying by brokers building positions ahead of the expected close of the bid struggle rather than speculators expecting fresh developments. The cash element of Hongkong's new terms were regarded as the key factor.

Success for the Hongkong bid has positive implications for equities since the new banking group would be quoted in London, almost inevitably as a Footsie stock; institutions would take stakes in the new stock, and the input of investment fund cash would help a market looking for signs of encouragement.

While the mood of the stock market remained cautious, optimism was expressed by fund managers attending a *Global Investment Strategy* Conference held in London by Kleinwort Benson Securities, the UK merchant bank. The managers predicted a rise of 12 *per cent in the UK market* over the next 12 months, bringing the Footsie to around 3,035, although they expect a gain of only 2 per cent on Wall Street.

FINANCIAL TIMES STOCK INDICES

	June 2	June 1	May 29	May 28	May 27	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.58	89.58	89.62	89.58	89.56	83.77	89.62 (29/5)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.92	105.73	105.62	105.53	105.48	93.43	105.92 (2/6)	97.15 (2/1)	105.92 (2/6/92)	50.53 (3/1/75)
Ordinary Share ●	2111.0	2104.7	2114.1	2109.2	2120.4	1962.8	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	106.1	105.8	108.3	110.0	110.3	182.0	180.8 (10/1)	105.8 (1/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2705.9	2697.6	2707.6	2694.2	2698.8	2506.0	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1246.70	1241.59	1245.26	1240.69	1242.28	1184.92	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.37	4.39	4.36	4.38	4.37	4.88				
●Earning Yld %(full)	6.40	6.43	6.36	6.42	6.43	8.52				
●P/E Ratio(Net)(☆)	19.55	19.46	19.58	19.50	19.45	14.52				
SEAQ Bargns 5.00pm	25,306	33,062	32,847	27,257	28,571	28,830				
Equity Turnover(£m)†	-	791.5	1238.7	1200.6	1315.3	439.11				
Equity Bargains†	-	26,505	38,576	31,573	31,787	30,925				
Shares Traded (ml)†	-	351.3	532.8	487.8	567.4	365.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 18.13

Ordinary Share Index, Hourly changes — Day's High 2120.9 — Day's Low 2111.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2115.4	2113.5	2116.8	2119.8	2117.4	2118.5	2118.0	2113.5	2112.0

FT-SE 100, Hourly changes — Day's High 2717.4 — Day's Low 2705.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2710.5	2708.9	2711.2	2716.4	2715.0	2714.0	2714.2	2709.2	2705.5

FT-SE Eurotrack 200, Hourly changes — Day's High 1249.27 — Day's Low 1245.46

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1246.85	1247.20	1248.71	1248.17	1247.82	1247.83	1248.70

GILT EDGED ACTIVITY

Indices*	June 1	May 29
Gilt Edged Bargains	82.4	93.8
5-Day average	85.8	90.5

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

Midland battle intensifies

THE battle for control of Midland Bank grew fiercer as Hongkong & Shanghai Bank*ing Corporation (HSBC)* launched an increased and final offer valuing Midland at £3.9bn, or around 470p a share. The timing surprised dealers who responded by hoisting Midland 31 to 452p.

Exceptionally heavy trading, after the increased bid terms were announced, triggered stories that another large corporate buyer had moved into the market, but traders said the *buying represented nothing* more than big US arbitrageurs manoeuvring for position as the battle moves into its final stages. "There was no evidence of any large blocks of Midland shares changing hands," said one dealer, as turnover reached 29m shares.

Mr Mike Fesemeyer, banks analyst at Nomura, said the move by Hongkong Banking was "extremely well timed" *and had a "good chance of succeeding".*

He pointed out that the closing date for the bid was July 7, and the outcome of the investi*gation by the Monopolies Com*mission into the proposed bid by Lloyds Bank would not be known until August 25. Mr Fesemeyer added, however, that Lloyds may well signal its intention of making a much higher bid, possibly in excess of 550p a share when its Board makes an expected announcement on Friday.

Glaxo reverse

The fortunes of Glaxo shares varied sharply yesterday as an early morning rise, prompted by broker support, was reversed after worrying figures from the US.

French stockbroker Société Générale *Strauss* Turnbull had taken its cue from a survey in the US financial press which listed Glaxo as the third most popular stock in a table of those expected to perform best over the next 12 months. Strauss turned "mildly positive" on Glaxo at its morning meeting arguing that US investors were likely to return to the pharmaceutical sector.

The shares jumped 21 but in the *afternoon* US group Bristol Myers Squibb came out with a projection of single figure earnings per share growth for the second quarter. The new projection resulted from reduced inventories by wholesalers, particularly of cancer and heart drugs. Some felt that the price discounting could spill over into the anti-ulcer drug market, thus affecting Glaxo's Zantac, which is responsible for around 65 per cent of profits. It would also affect Smith*Kline Beecham's Tagamet.* Glaxo closed 4¼ off at 770½p with 5.8m shares traded. SmithKline eased a penny to 824p.

Cellular radio group Vodafone, badly mauled in recent sessions by reduced valuations and worries about increased regulation by Oftel, rallied strongly amid hints that the group is about to launch a new digital cellular radio system, *simultaneously in Germany,* France and the UK.

The shares moved up strongly to touch 385p, before closing 9 higher at 383p, on good turnover of 5.2m shares. Henderson Crosthwaite were said to have been heavy buyers of Vodafone, as were UBS Phillips & Drew, the company's broker.

Disappointing figures from Allied Colloids prompted a *slide in the shares. Profits of* £42.1m were up by £3.2m on last year but the market had expected £44m and the shares were marked down by 20p. *There was some reconsidera*tion after the company's meeting with analysts and the shares recovered to close 8 off at 205p. Hoare Govett was, however, unimpressed and shifted its stance from a hold to a sell, arguing that the stock *was rated too highly.*

Clinical laboratory J.S. Pathology jumped 16 to 170p after Corning of the US announced that its subsidiary CLSI was making an offer worth £23.1m, or 175p per share, for all the Pathology stock.

Lloyds Bank fell 7 to 432p, awaiting the bank's response to HSBC's increased offer for Midland. Specialists said that if Lloyds failed to win control of Midland it was most unlikely that it would move against TSB or Royal Bank of Scotland. An offer for Cheltenham & Gloucester, the highly regarded building society, was one option that was put forward.

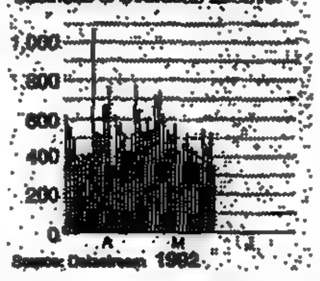
Nevertheless, speculators chased Royal Bank of Scotland, which closed 5 higher at 204p on turnover of 3.2m. TSB edged up 2¼ to 144½p, on heavy turnover *of* 6.3m, after news that the bank is buying out the minority 49 per cent interest in TSB Channel Islands. The latter soared 93 to 246p on the news.

Standard Chartered plummeted to 476p before stabilising *to close* 17 off at 481p in the wake of fears that the bank may have to increase provisions against losses incurred by its Indian branches. Dealers said it was unlikely that Standard would have to increase provisions of £50m already announced.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business & Overseas turnover



Source: Datastream

Fears about the future of a European Fighter Aircraft project on which British Aerospace is the lead contractor, weakened the shares, and they ended 5 lower at 345p. A meeting for institutional investors is being planned by the company's brokers next week.

An analyst's forecast cut accompanied by a gloomy outlook for the company caused a retreat in IMI. The shares fell 8 to 290p after Smith New Court reduced its 1993 profits forecast for IMI by £3.3m to £90.1m. The current-year figure was left at £80m.

Caution by County NatWest on the industrial conglomer*ates sent several leaders lower.* These included BTR, which shed 3 to 478p, while Cookson Group gave up 4 to 160p.

International drinks group Guinness improved 5 to 608p, supported by conversion of loan stock and preference shares into ordinary *shares,* amid suggestions that French cognac and luxury goods group LVMH must buy more Guinness shares if its agreed 24 per *cent cross stake is not to be* diluted.

Unilever was 8 higher at 915p in active trading of 2.3m shares, as the market reassessed some of the more defensive stocks neglected in the euphoria following April's gen*eral election.* Mr Carl Short, food manufacturing analyst at Nomura, pointed out that Unilever has underperformed the market by 10 per cent in the last three *months* and as a quality stock is due to recover.

Albert Fisher, 3½ lower at 73½p, suffered from speculation that takeover opportunities may be limited in future, and was also hit by suggestions of a profit downgrade from Kleinwort Benson.

MARKET REPORTERS:
Peter John, Joel Kibazo, Colin Millham, Steve Thompson.

■ Other market statistics, Page 21

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	197	409	+20	Comm. Union	1,300	499	+10	Lucas	2,800	147	+4	Shell Transport	4,100	509	-3
ASDA Group	4,800	35	-½	Cookson	1,300	160	-4	MB Caradon	2,400	298	-2	Siebe	412	727	+2
Abbey National	1,200	301	+1	Courtaulds	410	535	-2	MEPC	1,000	344	-6	Slough Ests.	324	206	+5
Albert Fisher	6,700	73½	-3½	Dalgety	108	428		Manweb	801	356	+5	Smith (W.H.) A	805	485	-4
Allied-Lyons	1,300	6[illegible]	+3	De La Rue	1,000	592	-12	Marks & Spencer	2,300	335		Smith & Nephew	1,600	161	+1
Amstrad	1,800	42	-1	Dixons	1,800	274	+1	Midland Bank	29,000	452	+31	SmKl Beecham	1,900	824	-1
Anglian Water	194	430	+1	ECC Group	545	555		Midlands Elect.	710	314	+6	SmKl Beecham Uts.	274	4135	-35
Argos	611	281	-3	Eastern Elect.	902	384	+6	NFC	58	273		Smiths Inds.	684	310	-4
Argyll Group	3,700	359	-3	East Midland Elect.	1,100	303	+7½	NatWest Bank	3,800	367	+9	Southern Elect.	784	303	+5
Arjo Wiggins	1,300	287	+6	Enterprise Oil	1,000	441	-2	National Power	2,800	243	+4	South Wales Elec.	234	388	+11

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TRADING in the derivative markets was boosted yesterday by Monday's firm overnight performance on Wall Street, leading to improved turnover in both FT-SE futures and traded options, writes Joel Kibazo.

In stock index futures, the June contract on the FT-SE opened strongly at 2,716. Early attempts, particularly from independent traders, to push the contract lower met with stiff resistance and June moved forward, boosted mid session by the improved offer from HSBC, for Midland Bank.

However, the afternoon falls in the pharmaceutical sector, which led to a retreat in the underlying cash market, spread into futures and June *was forced to relinquish some* earlier gains.

Profit-taking during the afternoon session was also noticed, but on balance June ended ahead at 2,717, up 8 on its previous close and around 5 points above its estimated fair value premium to cash of about 6. Turnover was a healthy 7,716 contracts.

Traded options activity improved from Monday's meagre level. Turnover at 33,521 lots was substantially better than *Monday's* 19,806 contracts. The FT-SE 100 option traded a total of 6,175 lots. In stock options, Midland Bank, was the most active, trading a total of 4,507 contracts.

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Tuesday June 2 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Jun 1 Index No.	Fri May 29 Index No.	Thu May 28 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (179)	895.70	-0.3	6.58	5.20	19.81	15.19	898.12	902.09	906.54	821.88
2 Building Materials (22)	1044.00	-0.7	5.30	5.67	26.20	19.03	1051.44	1057.92	1078.76	1042.58
3 Contracting, Construction (28)	1001.31	-0.6	3.53	6.03	60.78	24.60	1007.60	1017.28	1029.29	1280.58
4 Electricals (8)	2711.33	+1.3	6.36	5.69	20.44	68.82	2677.78	2715.02	2728.67	2398.56
5 Electronics (29)	1985.96	-0.1	9.02	4.28	14.05	7.29	1987.36	1997.58	1984.88	1750.33
6 Engineering-Aerospace (7)	386.10	-0.7	9.00	6.72	14.16	11.16	388.78	390.05	390.38	423.20
7 Engineering-General (44)	561.29	....	7.37	4.20	16.84	8.24	561.62	564.03	563.85	441.28
8 Metals and Metal Forming (8)	364.19	....	0.90	9.48	-	2.03	364.10	363.09	361.79	452.37
9 Motors (14)	396.69	+0.5	6.70	5.93	19.63	10.04	394.83	393.51	395.37	322.69
10 Other Industrial Materials (19)	1832.35	-0.4	6.76	4.52	17.82	33.79	1839.42	1846.78	1854.98	1493.08
21 CONSUMER GROUP (188)	1737.01	+0.1	7.00	3.31	17.53	20.48	1735.51	1737.11	1725.50	1464.32
22 Brewers and Distillers (24)	2244.83	....	7.47	3.30	16.09	26.21	2243.52	2246.40	2225.71	1817.58
25 Food Manufacturing (17)	1284.78	+0.2	8.27	4.09	14.97	21.18	1281.71	1279.94	1277.64	1184.16
26 Food Retailing (18)	2946.69	+0.2	8.28	3.10	15.68	34.95	2941.70	2938.00	2908.40	2755.81
27 Health and Household (24)	4214.58	-0.3	6.54	2.52	17.41	35.91	4226.60	4220.97	4158.62	3385.63
29 Hotels and Leisure (20)	1405.31	+0.3	5.63	4.83	23.02	23.50	1401.54	1403.77	1405.48	1285.15
30 Media (25)	1663.12	+0.6	5.75	3.31	21.58	18.30	1653.51	1657.76	1649.05	1401.34
31 Packaging, Paper & Printing (17)	851.24	+0.2	6.10	3.88	19.92	11.84	849.26	850.42	843.76	685.80
34 Stores (33)	1105.29	+0.2	6.85	3.32	19.32	12.26	1102.87	1110.08	1114.81	909.08
35 Textiles (10)	738.22	-0.1	6.23	4.21	20.25	12.44	738.76	739.50	744.76	531.92
40 OTHER GROUPS (116)	1339.73	+0.6	9.13	4.87	13.73	17.76	1332.14	1341.30	1335.28	1239.29
41 Business Services (17)	1503.18	+0.7	6.50	4.23	19.39	15.14	1493.07	1489.82	1487.68	1202.67
42 Chemicals (22)	1557.99	....	6.85	4.68	17.90	31.75	1558.32	1568.68	1569.46	1399.19
43 Conglomerates (11)	1428.75	+0.6	9.04	6.65	13.81	23.62	1419.71	1435.79	1420.97	1501.86
44 Transport (14)	2688.11	+0.3	6.92	4.31	17.69	40.88	2681.17	2704.01	2697.61	2178.61
45 Electricity (16)	1335.35	+0.9	13.46	4.93	9.58	17.21	1322.84	1317.86	1311.55	1247.22
46 Telephone Networks(4)	1476.50	+0.9	10.38	4.41	12.57	16.02	1462.95	1484.58	1476.19	1480.25
47 Water(10)	2882.30	....	14.63	5.67	7.55	19.52	2883.57	2913.08	2884.75	2460.35
48 Miscellaneous (22)	2156.19	+0.7	5.47	4.57	24.14	22.54	2141.87	2142.05	2136.52	1880.54
49 INDUSTRIAL GROUP (483)	1402.09	+0.2	7.59	4.15	16.45	18.51	1399.70	1404.52	1399.16	1237.03
51 Oil & Gas (17)	2165.14	-0.5	7.00	6.57	18.76	63.69	2175.60	2189.69	2192.69	2400.42
59 500 SHARE INDEX (500)	1474.70	+0.1	7.53	4.40	16.66	21.93	1473.17	1478.70	1473.84	1335.84
61 FINANCIAL GROUP (86)	789.03	+1.2	-	5.76	-	19.04	779.56	780.32	777.95	792.36
62 Banks (9)	1012.23	+1.4	4.77	5.39	33.20	24.58	998.69	994.38	984.72	893.69
65 Insurance (Life) (6)	1554.06	+1.5	-	5.73	-	44.26	1531.68	1532.39	1545.53	1467.19
66 Insurance (Composite) (7)	546.78	+2.8	-	6.36	-	13.46	531.96	530.87	535.01	659.58
67 Insurance (Brokers) (10)	997.38	+0.3	7.82	6.72	16.82	25.92	994.77	995.96	1000.18	1089.67
68 Merchant Banks (7)	514.28	+0.2	-	4.14	-	8.56	513.45	517.28	513.52	418.34
69 Property (32)	705.14	-0.1	8.27	6.54	16.27	16.55	706.14	721.10	718.06	938.38
70 Other Financial (15)	266.66	-0.2	6.82	6.52	19.88	4.34	267.16	268.92	269.11	280.89
71 Investment Trusts (69)	1253.91	+0.3	-	3.58	-	16.78	1250.77	1256.56	1257.80	1213.94
99 ALL-SHARE INDEX (655)	1310.39	+0.2	-	4.54	-	20.88	1307.28	1311.79	1307.66	1204.65

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 1	May 29	May 28	May 27	May 26	Year ago
FT-SE 100 SHARE INDEX♦	2705.9	+8.3	2717.4	2705.5	2697.6	2707.6	2694.2	2698.6	2704.6	2506.0

FIXED INTEREST

PRICE INDICES	Tue Jun 2	Day's change %	Mon Jun 1	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (25)	123.58	+0.01	123.56	2.64	4.62
2 5-15 years (24)	140.33	-0.03	140.37	2.75	5.45
3 Over 15 years (10)	153.85	+0.02	153.82	3.63	3.39
4 Irredeemables (6)	168.26	+0.02	168.22	3.07	6.35
5 All stocks (65)	137.82	-0.01	137.84	2.84	5.04
Index-Linked					
6 Up to 5 years (2)	172.70	-0.06	172.80	0.66	1.83
7 Over 5 years (9)	153.98	-0.03	154.03	1.17	1.64
8 All stocks (11)	155.37	-0.03	155.43	1.10	1.65
9 Debs & Loans (63)	122.66	+0.01	122.65	1.82	5.48

AVERAGE GROSS REDEMPTION YIELDS		Tue Jun 2	Mon Jun 1	Year ago (approx.)
British Government				
1 Low	5 years	7.93	7.91	9.32
2 Coupons	15 years	8.80	8.80	9.95
3 (0%-7¾%)	20 years	8.80	8.80	10.09
4 Medium	5 years	9.07	9.07	10.45
5 Coupons	15 years	8.85	8.84	10.39
6 (8%-10¾%)	20 years	8.83	8.85	10.39
7 High	5 years	9.31	9.26	10.63
8 Coupons	15 years	9.03	9.02	10.56
9 (11%-)	20 years	8.97	8.96	10.43
10 Irredeemables		9.02	9.02	10.29
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	3.98	3.96	4.18
12 Inflation rate 5%	Over 5 yrs	4.29	4.28	4.25
13 Inflation rate 10%	Up to 5yrs	3.28	3.25	3.31
14 Inflation rate 10%	Over 5yrs	4.11	4.10	4.06
15 Debs & Loans	5 years	10.32	10.32	11.88
16	15 years	10.07	10.07	11.45
17	25 years	9.99	9.98	11.45

♦Opening index 2710.5; 9 am 2708.9; 10 am 2711.2; 11 am 2716.4; Noon 2715.0; 1 pm 2714.0; 2 pm 2714.2; 2.30 pm 2712.7; 3 pm 2709.2; [illegible] 4 pm 2705.5 [illegible]. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. [illegible] FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. [illegible] subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (118).
BRITISH FUNDS (3) Tr 2pc IL '06, Do 2½pc '03, Do 2½pc '16, OTHER FIXED INTEREST (4) Birmingham 11½pc '12, Leeds 13½pc '06, N'wide Anglia 3⅞pc '21, Do 4⅛pc IL [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

Index-Linked

[illegible]

OTHER FIXED INTEREST

[illegible]

Prices for electricity [illegible] in England [illegible]

[illegible]

Prices are determined for each twenty-four hour [illegible]

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	[illegible]	—	[illegible]	17	7,894	1.8
♥Allegheny & W	301p	—	335p	226p	156.4	5.6
Amdahl	902p	—	1159p	615p	1,887	0.8
Amer Cyanamid	[illegible]	—	37	31⅞	2,977	2.9
Amer Express	[illegible]	[illegible]	13⅞	10[illegible]	6,679	4.4
Amer T & T	[illegible]	+⅛	24⅞	20⅛	30,729	3.2
Ameritech	34¼	+¼	36[illegible]	32½	14,995	5.8
BankAmerica	25½xd	+⅝	27⅛	19[illegible]	8,745	2.9
Bankers NY	31⅝xd	+[illegible]	37¼	28⅞	2,606	6.7
Bell Atlantic	[illegible]	+⅛	26¾	23⅛	10,278	6.1
BellSouth	25½	+⅜	29⅛	25	12,887	5.9
♥Bethlehem Steel	[illegible]	—	9⅝	7	592.4	—
Bowater	1244pxd	—	1579p	1078p	448.3	5.4
CPC h	23⅝	+[illegible]	26⅝	22⅛	3,577	2.9
♥Cadiz Land Inc	240p	—	342p	168p	—	—
California Engy	660p	—	833p	645p	124.7	—
Campbell Soup	18[illegible]	−⅛	23[illegible]	17[illegible]	4,671	2.4
Chase Manhattan	16[illegible]xd	+[illegible]	16½	9⅛	2,178	4.4
Chrysler	18⅞xd	+1	11⅛	6¾	3,178	3.1
Citicorp	10⅝xd	+½	11	5⅜	3,678	—
Colgate-Palm	29[illegible]xd	+[illegible]	29[illegible]	25¼	4,884	2.0
Cont'l Bank	[illegible]	—	1036p	489p	894.4	3.4
Dana	[illegible]	+⅛	24½	14[illegible]	998.1	4.0
Data General	[illegible]	−11	1004p	431p	126.3	—
Dial	20[illegible]xd	+⅛	24⅞	18⅞	825.5	3.1
Dun & Brad	28¾	+¼	33½	27⅝	5,399	4.3
[illegible]	44½	—	46½	32½	1,516	2.8
Echlin	[illegible]	+⅛	11	7⅜	672.4	3.8
FPL	[illegible]	+[illegible]	20	16⅛	3,253	7.1
Fluor	23⅞xd	+⅛	27	21	1,936	0.9
Ford Motor	[illegible]	+1[illegible]	26⅞	15	12,331	2.2
Gen Elect	[illegible]	+⅛	48¼	40[illegible]	36,239	2.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+or-	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc	96xd	—	107	83½	12.4	—	—
III Cap	32	—	42	12½	—	58.4	45.2
Stepped Pf	141¼	—	141¼	126	6.6	—	—
Zero Div Pf	166	+½	166	165½	—	—	—
Warrants	8½	-½	9	3½	—	—	—
Scot Value	63½xd	+½	64	48	2.6	63.5	0.8
Sec Alliance †	1257	+2	1260	1138	2.7	1390.9	10.0
Second Market	243	—	244	222	0.8	289.6	16.1
Sec Tst Scot	74	+½	76½	63	3.5	76.0	3.3
Select Assets	96	-1	102½	96	1.2	132.7	27.7
Eq Ind Sert	122	—	123	109	4.8	—	—
Eq Ind Sert	123	—	123	109	4.8	—	—
Shires	248	—	248	195	10.1	247.8	0.2
11pc Cv Ln '03/04	£115½	—	£119½	£95½	9.6	—	—
Siam Select	78	—	91	78	1.7	86.3	9.7
Warrants	16	—	21	15	—	—	—
Smaller Cos	84	—	88	67	4.0	90.4	7.1
Warrants	19	—	28	10	—	—	—
Sphere Inc N	15	—	28	14½	27.6	23.3	39.4
Zero Div Pf	77	—	77¾	65¾	—	—	—
Warrants	6¼	—	9½	0¾	—	—	—
Stratton	167xd	—	168	147	1.4	193.2	13.8
Sumit	55	+7	55	38	3.8	108.7	40.9
TR City of Lon N	120¾	+½	127½	97½	5.6	123.2	-0.9
TR Euro Growth s	86	—	90	83	1.6	100.5	14.4
Ptg Sub s	60	—	54	50	2.7	—	—
TR Far East Inc M	94	—	96	78	0.2	103.5	9.2
Warrants	20	—	22	12	—	—	—
TR High Inc	109	—	118	91	7.2	102.2	-6.7
Sub g	28	—	36	28	6.7	—	—
TR Pacific s	84	+1	90	71	0.4	99.8	5.6
TR Prop	24	—	27	20	8.4	33.3	27.8
TR Smaller	148½	—	182	118½	3.4	155.7	5.9
TR Technology M	34	—	37	25	7.2	108.2	68.6
Stepped Pf	182	+½	182	89¾	7.2	—	—
Zero Pf	186	—	186½	154½	—	—	—
Temple Bar	276	+1	277	239	6.7	300.6	8.2
8pc Cv Ln 2002	£116½	-1	£116½	£110½	5.2	—	—
Templeton Em	221	—	224	165	1.5	204.2	-8.2
Warrants	105	—	106	59	—	—	—
7pc Cv Ln 2001	£217½	—	£220½	£162½	0.0	—	—
Thornton Asian	65	—	66	54	1.0	70.6	13.8
Warrants	7	—	11	6	—	—	—
Thornton Pan Euro	28	—	30	28	4.6	31.6	11.9
Warrants	1¼	—	6	1	—	—	—
Throg Dual Inc	91	—	98	91	10.1	—	—
Cap	368	—	378	280	—	688.7	46.9
Throgmorton	58	—	63	43½	8.2	72.0	18.8
Warrants	20½	—	23	10	—	—	—
Throg USM	127	—	128	101½	3.6	138.6	8.3
Warrants	28	—	25	9	—	—	—
Tor Inc K	488	+8	488	375	13.2	—	—
Cap	668	—	685	525	0.0	1141.5	41.7
Trio Inv Tst	67	—	92	35	9.9	45.1	-32.9
For Tribune Inv Tst see Baring Tribune							
Trust of Prop	50	—	62	40	3.8	74.6	32.9
Turkey Trust s	132	-1	166	133	1.8	123.0	-6.9
Warrants	42	—	46	34	—	—	—
USDC	168	—	176	151	3.4	197.9	15.1
US Smaller Cos	101	—	107	96	—	101.7	0.7
Warrants	40	—	41	34	—	—	—
Value & Inc N	65½xd	-½	70	60½	7.2	79.2	18.1
Venturi	9½	—	9½	7½	—	11.7	22.8
Inc	38	+1	38	34	12.1	—	—
Cap Indexed	170	—	170	150	—	—	—
Welsh Indl	88	—	99	88	6.8	158.0	44.3
Whitbread Inv	608xd	+8	607	530	3.3	752.2	19.1
Witan	170½	+1	179	150	4.1	195.6	12.6
Warrants	98	—	102	75	—	—	—
Worth	17xd	—	19	15	8.0	26.0	34.0
Yeoman Inc	111	—	112	105	10.9	—	—
Cap	107	-1	176	128	—	180.6	7.0

INVESTMENT COMPANIES

Notes	Price	+or-	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Baring Chrysalis s	400	—	400	385	8.1	—	—
Warrants	160	—	160	66¾	—	—	—
Baring Puma $ Z	1000	-10	1101	761	0.3	—	—
Biotech Fd Pt $	184	-1	181	145	—	200.4	22.9
China & Eastern Z	130	—	132	86	1.4	—	—
Euro Assets Fl	222	+1	222	210	2.5	262.6	15.5
Fidelity Jap OTC	316	—	382	323	—	—	—
Warrants	41	—	50	15	—	—	—
First Pacific $	9	—	9	5	1.6	—	—

MERCHANT BANKS

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)	34	—	34	28	63.5	—	[illegible]
Barings 8pc Cu 2nd Pf	100	+1	100	83½	12.0	10.7	[illegible]
9¾pc Non-Cum Pf	121	—	121¾	103¾	40.4	10.7	[illegible]
Brown Shipley	128	—	204	125	20.4	8.3	[illegible]
Close Bros †	250	—	267	247	93.1	4.7	[illegible]
Hambros †	291	—	292	215	802.2	5.9	[illegible]
7½pc Cv Pf	117	+½	119	93	176.5	8.8	[illegible]
Joseph (L)	330	—	333	318	17.3	6.4	[illegible]
Kleinwort Benson	313	—	314	212	400.8	6.8	[illegible]
Rea Bros	36	—	37	28	12.7	1.9	[illegible]
Schroders	1348	+5	1348	1043	872.1	1.8	[illegible]
N/V	1155	+7	1155	883	101.8	2.1	18.4
Singer & Fried	47	+1	50	37	90.4	7.1	10.3
Warburg (SG)	590xd	—	606	445	1,156	4.3	11.2
6pc Cv Pf	192	—	204	150	81.7	4.2	—
Wintrust	220	—	230	213	18.7	5.6	6.5

METALS & METAL FORMING

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
ASW	109	—	195	113	108.7	7.5	30.3
Apollo Metals	140xd	+1	147	129	16.5	3.3	15.3
Ash & Lacy	180	—	188	142	44.3	5.1	12.9
Barrett (H) ‡	28	—	45	20	3.85	†	46.3
Billam (J)	128	—	144	84	2.84	4.5	7.1
Brit Steel	69½	+½	86	64	1,610	14.5	—
CI	33	—	58	15	28.5	8.3	12.4
Castings	105xd	—	185	118	38.5	2.9	♦
Chamber & Hill	127xd	—	148	90	9.30	6.3	♦
Cohen (A)	400	—	400	350	7.42	7.7	41.9
Cook (Wm)	280	-1	305	250	37.2	5.2	♦
Cooper (F)	60xd	—	59	50	22.4	8.5	30.5
Cronite ♦	46	—	45	24	7.21	—	13.1
Downiebrae	28	—	38	27	4.08	2.4	14.4
Firth (GM) ‡	28	—	35	28	9.44	‡	—
Garton	125	—	128	98	4.75	7.5	—
Glynwed Intl	250	-4	302	193	520.8	6.1	29.4
Johnson & Firth	69½	-½	73	54½	88.1	5.8	13.7
Johnson Matthey	422	—	446	317	779.4	2.9	16.5
Lee (A)	94	—	113	85	81.2	8.4	47.0
Linread	98	—	100	81	11.4	4.9	13.4
Manganese Bze	88	—	98	84	14.8	1.5	70.7
Metsec	137	+1	137	125	21.2	4.8	♦
Morris Ashby	98	—	101	78	8.88	5.8	11.3
Richards Grp	74	—	81	70	6.20	7.9	6.1
Savile Gordon	38	—	48	38	38.7	7.5	—
Stainless Metal	34	—	35	18	1.95	—	—
Sycamore	18	—	19	15	14.8	—	10.9
Thyssen DM	1674	+22	1680	1378	824.8	2.9	—
Tinsley (Eliza)	84	—	84	83	4.01	10.8	11.7
Triplex Lloyd	167	—	175	140	65.4	5.8	17.8
Utd Industries	14	—	16	13	5.00	9.5	—

MISCELLANEOUS

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Abbeycrest	98	+1½	98	56	13.9	6.5	6.8
Aberfoyle	2¼	—	7	1½	1.98	—	2.9
Alexprung fg	384	+1	384	253	41.8	2.4	13.4
Alan Paul q	[illegible]	—	39	20	5.88	22.7	1.4
Alumasc †	[illegible]	—	443	388	69.5	3.1	12.8
Amberley	25	—	38	22	1.38	8.7	84.2
Appld H'graph	120	—	141	88	29.3	—	—
Aspen Comms	162	—	179	105	21.8	4.6	18.0
Ass Brit Cnslts †	60	-1	66	60	6.20	14.2	13.8
Atwoods s	147	+1	161	116	413.5	4.8	12.7
BAT Inds	816	+7	816	606	12,866	5.5	20.6

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Notes	Price	+or-	1992 high	low	Mkt Cap£m	Yld Gr's
Pennsylvania West IE	42	—	60	42	13.3	—
Kalis Mints IE	29	—	42	28	8.60	—
Kanmare	3¾	—	5½	3½	3.60	—
Mulinga Res	37½	+2½	37½	30½	4.14	—
Nevan Res IE	15½	—	20	15	3.42	—
North West Expl AS	3	—	8	2	1.61	—
Oryx Gold $	75½	—	103	57	—	—
Ovoca Res IE	7	—	11	6½	8.42	—
Pistola	6	-½	13	5	2.73	—
RTZ	610	+1	660	460	6,196	4.2
Vizcaya	1½	-¼	3	1	0.88	—
Western & Pac C$	30	+4	66	7	32.4	—
Young Grp	15	—	110	4	2.01	17.3

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ψ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Subject to local tax. z Dividend yield includes a special payment. E Minimum tender price. F Yield based on prospectus or other official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: The letter H denotes [illegible]

FORWARD PRICING: The letter F denotes [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

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Local Authorities Mutual Invest. Tst.*

2 Fore Street, London EC2Y 5AQ 071-588 1815

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Allied Dunbar Assurance Plc—Contd.

Citibank Life

Equitable Life Assurance Society

Henderson Administration(z)

Life Association of Scotland

NEL Britannia Assce Co Ltd—Contd.

Specialist Funds

	Bid Price	Offer Price	+ or −	Yield Gross
Barings Convertibles	114 7	120 7	−0.3	–
Barings Eastern	122 5	128 9	−1 1	–
Barings Equity Income	99.8	105 1	−0.6	–
Barings European Growth	109.0	114 7	+0.6	–
Barings German Growth	107 2	112 8	+0.2	–
Barings Japan Growth	84 1	88.5	−0.6	–
Barings UK Smllr Cos.	110 2	116 0	−0.6	–
Fidelity 1992 Euro Opps.	102 8	108.2	+0.1	–
Fidelity American	115 3	121 4	−0.1	–
Fidelity Amer Sp Sits	136 4	143 6	−1.1	–
Fidelity Asian	117 3	123 5	−1 6	–
Fidelity European	96.1	101 2	+0.2	–
Fidelity Euro Inc.	104 6	110 1	+0.2	–
Fidelity Famous Names	112.7	118 6	−0.3	–
Fidelity Gilt & Fxd Int.	109.3	115 1		–
Fidelity Global Conv.	111.6	117.5	−0.2	–
Fidelity Growth & Inc.	120 6	116 4		–
Fidelity Income Plus	96 4	101 5	+0 2	–
Fidelity Intl Bond	102.8	108.2	+1.5	–
Fidelity Japan	86.3	90 8	−0.3	–
Fidelity Japan Sm Cos.	83 2	87 6	+0 2	–
Fidelity Japan Sp Sits	86 0	90 5	−0 1	–
Fidelity Recovery	118.3	124.5	−0.1	–
Fidelity S. E. Asia	125 9	132 5	−0 6	–
Fidelity Special Sits.	105 8	111 4	−0 3	–
Gartmore Am Emer Gwth.	120 9	127 3	+0.2	–
Gartmore British Growth	118 5	124 7	−0 3	–
Gartmore European	106 0	111.6	(z)	–
Gartmore Euro Sel Opps.	96.4	101 5	+0 7	–
Gartmore Frontier Mkts	119 1	125 4	−0 2	–
Gartmore Hong Kong	171.6	180.6	−0 9	–
Gart Int Fxd Int.	103 2	108.6	+0 1	–
Gartmore Japan	84 7	89 2	+0 4	–
Gartmore Pacific Grth	127.7	134.4	−2 4	–
Gartmore Practical Inv	106.0	111.6	(z)	–
Henderson Australian	109 5	115 3	−1.0	–
Henderson Best of British	111.6	117.5	+0.3	–
Henderson European	102 2	107 6	+0.4	–
Henderson Euro Sm Cos	100.3	105 6	+0 1	–
Henderson Extra Income	99.6	104 8	(z)	–
Henderson Global Inc & Gth	105 3	110.8		–
Henderson High Income	105 9	111 5	−0 1	–

INSURANCES

Abbey Life Assurance Co Ltd

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

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GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

		Bid Price	Offer Price	+ or -	Yield Gross
Asset Global Funds Ltd (1200)					
Victory Hse, Prospect Hill, Douglas, IoM 0624 620097					
European Equity	5	14.35	14.535	15.37	
UK Gilt	5	10.582	10.582	11.19	
Intl Equity	5	14.621	14.621	15.70	
International Bond	5	5.1809	5.1809	5.465	
Sterling Managed	5	0.9993	0.9993	1.0540	
European Bond	5	1.0371	1.0371	1.0934	
Sterling Cash Inc	5	0.9962	0.9962	1.0356	
CMI Fund Managers (IoM)					
Clerical Medical Hse, Douglas, IoM 0624 625599					
High Income	5	0.4901	0.4901	0.5159	8.25
CMI Core Portfolio Fund					
UK	5	1.0673	1.1437		
USA	5	1.0490	1.1126		
Japan	5	0.4806	0.5072		
Equity & Law Intl Fund Mngrs Ltd					
Victory Hse, Prospect Hill, Douglas, IoM 0624 677877					
Total Income Fd	5	94.88	95.10	100.09 -2.40	10.0
Gartmore Fund Managers (IoM)					
PO Box 32, Douglas, IoM 0624 627610					
Intl Grth	5½	497.8	497.8	533.6 +2.2	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd					
PO Box 32 Athol St Douglas IoM 0624 661020					
L.J. International	5½	96.82	96.82	103.87 -0.09	
Mercury Fund Managers IoM Ltd					
11 Hill Street, Douglas IoM 0624 662256					
Merc IoM Fund	5	107.2	107.2	114.2 +0.20	6.1
Merc Intl Bond	5	50.49	50.49	53.09 +0.98	8.4
Sun Life Management (IoM) Ltd					
PO Box 178, Douglas, IoM 0624 622444					
Scape High Income	6	1.0562	1.0562	1.1324	7.95
Unibank Scandinavian Fund Ltd					
23 Bucks Road, Douglas, IoM 06246 26484					
Scandinavia Fd	5		138.58	147.77 -4.38	1.0

ISLE OF MAN (REGULATED)(**)

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Citibank (CI) Ltd "Citifunds"						
Short Term Investment Funds						
Irish £ May 28			118.216			
Equity Funds						
Japan Equity May 28			$7.579			
US Em Hith Jun 1			[illegible]			
US Em Tech Jun 1			[illegible]			
Citicare Jun 1			$34.093			
Bond Funds						
GNMA Bond Jun 1			$14.858	14.864		
NYB (A) Jun 1			991.389	982		
EBC Trust Company (Jersey) Ltd						
EBC Amex Traded Currency Fund Ltd*						
Income			$15.17	15.645	-0.011	2.75
Capital			$23.60	24.338	-0.011	5.50
*Offer price includes 5% prelim. charge						
International Income Fund						
Eurobd Long Term*			$33.59	35.1179		4.81
* Offer Price includes 3½ % Initial Charge						
EquiUltra International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV May 28 C$13.08						
First Aust Prime Inc Inv Co Ltd NAV May 28 US$10.86						
NAV Diluted to reflect exercise of all Wrts C$12.71						
Fidelity Investment (CI) Ltd						
Sterling American			£2.510	2.642	+0.006	
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV			DM16.53			
Foreign & Colonial Mngmt (Jersey) Ltd						
Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10.68			
Sterling Cash			£11.91		+0.01	
US$ Bonds			$14.71		-0.10	
Multicurrency Bonds			$19.78		-0.04	
Sterling Bonds			£13.44			
D Mark Bonds			DM10.53		-0.01	
Ecu Bonds			Ecu11.85			
UK Equities			£10.96		-0.07	
US Equities			$16.45		-0.29	
Japanese Equities			Y625		-0.10	
Conti Euro Equities			DM17.44			

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Homes data hamper dollar rise

THE DOLLAR staged an early rise on the foreign exchange markets yesterday following the publication of a strong set of US economic indicators, *writes James Blitz*. But its progress was hampered during European trading in the afternoon by another disappointing set of US home sales data.

The dollar reached a high of DM1.6152 in European trading after the US leading indicator data for April showed a 0.4 per cent rise against forecasts of 0.2 per cent. The March indicator was also revised to 0.4 per cent from an initial 0.2 per cent estimate.

However, these figures were overshadowed in the afternoon, when the home sales data effectively ended hopes that the housing market would lead the economy into recovery as it did in the first two months of the year. The figures showed that single-family home sales had risen just 1.3 per cent in April to 530,000, when a much stronger rebound to 552,000 had been expected. Furthermore, the already huge 14.8 per cent March drop was revised to 15.9 per cent.

"The data were pretty bad," said one economics analyst in London. "They mean that practically every housing indicator we watch, from sales to mortgage applications, is now down or, at best, flat."

As a result, the dollar ended down on the day at DM1.6075 after a previous close of DM1.6100. In late American trading it was hovering at DM1.6072. It also lost ground to sterling, closing at $1.8250 from a previous close of $1.8230.

Despite this poor performance in Europe, the US currency managed to withstand another bout of intervention by the Bank of Japan in overnight trading in Asia. Dealers said that the BoJ had purchased $30bn-$30bn worth of yen at the Y127.40 rate. But the dollar managed to shrug off the intervention, ending the day in London at Y127.50, slightly up on its previous close of Y127.40.

The D-Mark also recovered some ground against the yen in European trading. The BoJ sales of dollars for yen overnight had helped push the D-Mark down to its lowest opening level against the Japanese currency for almost three months. But it clawed back up to DM1.2622 per 100 yen by the finish, well above this morning's DM1.2655 opening.

The Danish krone made fresh gains yesterday on hopes that Denmark would give a confident "Yes" to European Monetary Union in its referendum yesterday. The krone ended at DKr3.8442 against the D-Mark, slightly stronger after last night's close of DKr3.8455. Analysts believe that heavy investment in the krone could push it up from the floor of the European Monetary System's grid, pushing the Italian lira, and possibly sterling, to the bottom two places.

£ IN NEW YORK

June 2	Close	Previous Close
£ Spot	1.8125-1.8135	1.8250-1.8260
1 month	0.94-0.92pm	0.91-0.89pm
3 months	2.66-2.63pm	2.69-2.66pm
12 months	8.62-8.52pm	8.68-8.58pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 2	Previous
8.30 am	92.5	92.9
9.00 am	92.5	92.9
10.00 am	92.5	92.9
11.00 am	92.5	92.8
Noon	92.6	92.7
1.00 pm	92.5	92.8
2.00 pm	92.5	92.8
3.00 pm	92.5	92.7
4.00 pm	92.7	92.7

CURRENCY MOVEMENTS

Jun 2	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.7	-19.1
U S Dollar	63.1	-15.6
Canadian Dollar	98.9	-8.1
Austrian Schilling	109.9	+12.1
Belgian Franc	111.3	-2.1
Danish Krone	109.6	+3.5
D-Mark	118.4	+24.7
Swiss Franc	108.9	+14.1
Dutch Guilder	114.2	+15.9
French Franc	104.6	-11.7
Lira	90.4	-30.2
Yen	142.6	+78.4
Peseta	108.5	-17.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for June 1

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 2	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	169.877	-4.96	6.07	82
Spanish Peseta	133.631	128.064	-4.17	5.19	71
Belgian Franc	42.4032	42.2910	-0.26	1.08	17
Dutch Guilder	2.31643	2.31470	-0.07	0.88	8
D-Mark	2.05586	2.05501	-0.04	0.85	8
Irish Punt	0.767417	0.768359	0.12	0.69	-2
French Franc	6.89509	6.90564	0.15	0.66	-4
Sterling	0.696904	0.700954	0.58	0.23	-13
Italian Lira	1538.24	1548.34	0.66	0.15	-28
Danish Krone	7.84195	7.90544	0.81	0.00	-33

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jun 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8125 - 1.8265	1.8245 - 1.8255	0.96-0.93cpm	6.21	2.65-2.62pm	5.78
Canada	2.1825 - 2.1980	2.1970 - 2.1980	0.76-0.71cpm	4.01	1.46-1.39pm	2.59
Netherlands	3.2975 - 3.3075	3.2975 - 3.3075	¼-par cpm	0.45	¼-½pm	0.38
Belgium	60.20 - 60.45	60.35 - 60.45	5-par cpm	0.50	10-4pm	0.46
Denmark	11.2550 - 11.2925	11.2725 - 11.2825	½-¼orepm	0.33	¾-½pm	0.18
Ireland	1.0950 - 1.0980	1.0970 - 1.0980	0.01dis-0.03pm	0.11	par-0.07pm	0.13
Germany	2.9275 - 2.9375	2.9325 - 2.9375	¼-par pfpm	0.26	¼-¼pm	0.26
Portugal	241.65 - 243.15	241.85 - 242.85	118-126cdis	-5.97	301-360dis	-5.45
Spain	182.55 - 182.90	182.55 - 182.85	35-42cdis	-2.53	103-115dis	-2.39
Italy	2205.75 - 2211.00	2207.75 - 2208.75	4-5lirecdis	-2.45	11-13dis	-2.17
Norway	11.4100 - 11.4475	11.4300 - 11.4400	par-½oredis	-0.26	¼-1dis	-0.20
France	9.8400 - 9.8600	9.8450 - 9.8550	½-¼cdis	-0.23	¼-½dis	-0.08
Sweden	10.5400 - 10.5725	10.5575 - 10.5675	¾-1½oredis	-1.28	2½-3½dis	-1.11
Japan	231.50 - 233.25	232.25 - 233.25	1¼-1ypm	5.48	3¼-3pm	5.37
Austria	20.60 - 20.65	20.61 - 20.64	1¼-½gropm	0.40	3-¼pm	0.30
Switzerland	2.6600 - 2.6725	2.6600 - 2.6700	¼-par cpm	0.28	½-¼pm	0.66
Ecu	1.4245 - 1.4290	1.4280 - 1.4290	0.02-0.07cdis	-0.38	0.09-0.18dis	-0.38

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.95-4.90pm. 12 Month 8.58-8.48pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jun 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8125 - 1.8265	1.8245 - 1.8255	0.96-0.93cpm	6.21	2.65-2.62pm	5.78
Ireland†	1.6575 - 1.6640	1.6625 - 1.6635	0.86-0.83cpm	6.10	2.40-2.33pm	5.69
Canada	1.2030 - 1.2055	1.2035 - 1.2045	0.22-0.24cdis	-2.29	0.60-0.65dis	-2.08
Netherlands	1.8085 - 1.8230	1.8095 - 1.8105	0.89-0.92cdis	-6.00	2.51-2.54dis	-5.58
Belgium	33.05 - 33.30	33.05 - 33.15	16.00-17.00cdis	-5.98	48.00-48.00dis	-5.62
Denmark	6.1650 - 6.2200	6.1775 - 6.1825	3.05-3.35oredis	-6.21	9.05-9.65dis	-6.05
Germany	1.6040 - 1.6180	1.6070 - 1.6080	0.81-0.82pfdis	-6.08	2.31-2.34dis	-5.79
Portugal	132.90 - 133.55	132.95 - 133.05	142-152cdis	-13.26	380-400dis	-11.73
Spain	100.05 - 100.85	100.15 - 100.25	73-76cdis	-8.92	211-216dis	-8.52
Italy	1208.00 - 1219.75	1209.75 - 1210.25	8.60-9.10lire dis	-8.78	24.70-25.70dis	-8.33

MONEY MARKETS

Short rates softer

SHORT-TERM rates in the sterling cash markets softened yesterday after the Bank of England forecast a moderately small shortage in its money market operations.

Short sterling futures also rose slightly, reflecting the prospect of lower interest rates, following rumours of a co-ordinated cut in rates at next month's summit of the Group of Seven leading industrial countries.

In the sterling cash market, most interbank rates ended the day a shade lower. 1-month money ended the day at 9 15/16 per cent, down 1/16 per cent on the previous day's close.

UK clearing bank base lending rate 10 per cent from May 5, 1992

Everything from 2-month to 9-month Libor ended at 10 per cent, compared to 10 1/16 per cent for 3-month money on Monday night.

The softening of period rates came as the Bank of England forecast a shortage of £650m in the morning, a figure which the market deemed to be rather small in comparison to the record shortages that it had to cope with last week.

In the morning, the Bank of England forecast a shortage of around £300m, which was later revised to £500m. In the morning, the Bank bought £512m of Band-1 Bank bills at 9⅞ per cent.

The forecast was later revised to a shortage of around £650m before taking account of the morning operations. The Bank then purchased £159m of Band-1 Bank bills at 9⅞ per cent.

Short sterling futures rose yesterday after reports that an unnamed International Monetary Fund official had suggested that next month's G7 summit would see a co-ordinated interest rate reduction. In the morning, the September short sterling contract put on 4 ticks to rise to a high of 90.36. But it later slipped back to close at 90.34, after Japanese officials made clear that a cut in the discount rate is unlikely for the present. The closing rate for the September contract suggests that 3-month Libor in September will be at 9.66 per cent.

One analyst suggested that the market's slowness was due to uncertainty about this Thursday's Bundesbank Councilmeeting, which will once again consider a change in interest rates. He suggested that sterling rates could soften further if the German central Bank decides not to raise rates.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8250	1.8156	1.7987	1.7758	1.7397

FT LONDON INTERBANK FIXING

(11.00 a.m. June 2) 3 months US dollars		6 months US Dollars	
bid 3 15/16	offer 4 1/16	bid 4 1/16	offer 4 3/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	6½	One month	3.07	Three year	5.75
Broker loan rate	8	Two month	3.57	Five year	6.61
Fed.funds	3¾	Three month	3.82	Seven year	6.99
Fed.funds at intervention	3 15/16	Six month	4.00	10-year	7.34
		One year	4.29	30-year	7.87
		Two year	5.21		

June 2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.60-9.70	9.65-9.75	9.65-9.75	9.65-9.75	9.65-9.75	9.75
Paris	9 11/16-9 13/16	9 11/16-9 13/16	9 11/16-9 13/16	9 11/16-9 13/16	9½-9⅝	9.60
Zurich	8¾-9¼	9¼-9⅜	-	9¼-9⅜	-	-
Amsterdam	9.31-9.38	9.47-9.54	-	9.48-9.55	-	-
Tokyo	4 11/16-4¾	4 11/16-4 13/16	-	4 11/16-4 13/16	-	-
Milan	12¼-12½	12½-12¾	-	12½-12¾	-	-
Brussels	9½-9⅝	9½-9⅝	-	9½-9⅝	-	-
Dublin	9 13/16-9 15/16	9 13/16-9 15/16	9 13/16-9 15/16	9 13/16-9 15/16	9 13/16-9 15/16	-

LONDON MONEY RATES

Jun 2	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9½	9⅝	10	10	10	9 15/16
Interbank Bid	4	9	9 15/16	9⅞	9⅞	9 13/16
Sterling CDs	-	-	9⅞	9 15/16	9 15/16	9¾
Local Authority Deps.	9 13/16	9 13/16	9 15/16	9 15/16	9 15/16	9 13/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	8½	9¼	-	-	-	-
Company Deposits	-	-	10	10	10	10

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
106	-	-	-	-	0.21	-
107	-	-	-	0.16	0.39	-
108	1.26	-	-	0.38	0.67	-
109	0.67	1.14	-	0.77	1.07	-
110	0.31	0.73	-	-	-	-
111	0.12	0.43	-	-	-	-
Open Int.	57,532	15,336	-	44,132	19,003	-

Estimated volume 16,789 Total Open Interest 136,003

* Contracts traded on APT. Closing prices shown.

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	10.5	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10	First National Bank Plc.	14	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	● Hambros Bank	10	Standard Chartered	10
Barclays Bank	10	Hampshire Trust Plc	13.5	TSB	10
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10	Unibank plc	10
Brit Bk of Mid East	10	● Hill Samuel	10	● United Bk of Kuwait	10
● Brown Shipley	10	C. Hoare & Co.	10	Unity Trust Bank Plc	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Western Trust	10
Citibank NA	10	Julian Hodge Bank	10	Westpac Bank Corp.	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Lloyds Bank	10	Yorkshire Bank	10
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,863 Set by DINMUTZ

ACROSS

1 Old shire horse on the Welsh coast (8,3)
7 Dust has been scattered here (3)
9 A great deal in view (5)
10 Book of rats, for example? (9)
11 Mysterious things, like wiggling toes with Heather? (9)
12 Footwear no longer used to drive off north (5)
13 Greek in Etruria spoke it a lot, taking one in (7)
15 Impressive record goes to Olympic finalists (4)
18 Stainer sounding terrible? (4)
20 Liquor mixed? Agree to mix with British water, initially (7)
23 Without reservation? Rather! (5)
24 A late plan worked out in the smoke (9)
26 Unfeeling state of the theatre? (9)
27 Euclid's fifth proposition is perfect (5)
28 A flat, for example, is basic (3)
29 Venus rating seven in the new order (7,4)

DOWN

1 Sort of surgery needed for mice? Cost is horrendous (8)
2 Soldier advanced in true provincial style (8)
3 Fibre for making carpet-tiles, possibly (5)
4 A quiet matter to settle (8)
5 Two-winged kite .... (7)
6 .... riding here no longer (9)
7 Flower for a bowing woman (6)
8 One with family in Dad's Army is rambling (6)
14 American university band (3,6)
16 Talismen? That's not right for the most heroic (8)
17 Shopkeeper summoned by nursery trio? (8)
19 Pier's to be rebuilt as an answer to fencing (7)
20 Language of India – light one? (7)
21 King supporting brave partner in protest (6)
22 Church petition asking about use of candles? (6)
25 Object of slender key? (5)

Solution to Puzzle No.7,862

WORLD STOCK MARKETS

CANADA

TORONTO

2:00 pm prices June 2

MONTREAL

2:00 pm prices June 2

Total Sales 10,360,800 shares

INDICES

NEW YORK DOW JONES

	Jun 2	Jun 1	May 29	May 28	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3396.10	3413.21	3396.88	3398.43	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	99.77	99.84	100.07	100.05	100.17 (19/5)	98.41 (20/3)	100.17 (19/5/92)	54.99 (1/10/81)
Transport	1371.64	1376.12	1370.14	1347.72	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	211.32	212.51	213.45	214.70	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3435.24 (3424.35) Low 3380.80 (3364.99)

STANDARD AND POOR'S

	Jun 2	Jun 1	May 29	May 28	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	413.50	417.30	415.35	416.74	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	489.85	494.95	492.47	494.15	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.06	35.16	35.03	35.08	35.80 (13/5)	32.40 (8/4)	35.80 (13/5/92)	8.64 (1/10/74)
NYSE Composite	228.20	229.90	228.87	229.24	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	393.95	394.84	394.69	392.30	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	589.18	588.37	585.31	580.49	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	May 29	May 22	May 15	year ago (approx.)
Dow Industrial Div. Yield	2.99	2.92	2.79	2.99

	May 27	May 20	May 13	year ago (approx.)
S & P Industrial div. yield	2.65	2.63	2.62	2.79
S & P Indl. P/E ratio	28.77	28.92	29.19	18.89

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Bristol Myers	10,159,000	66¾	- 7
Glaxo	3,571,000	27⅛	- 1⅛
Syntex	3,076,900	35½	- 2⅝
Gen Motors	3,038,900	40½	- 1
Merck	2,760,800	49⅝	- 1⅛
Citicorp	2,593,100	19½	+ ⅛
Chrysler	2,417,000	20	+ ⅛
Unisys	2,072,300	9⅝	+ ⅛
Am Express	2,071,700	23½	+ ⅛
Walt Disney	2,011,400	38⅞	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Jun 2	Jun 1	May 29
New York SE	200.660	180.780	204.835
Amex	11.434	10.520	14.198
NASDAQ	(u)	141.567	188.630
NYSE			
Issues Traded	2,263	2,273	2,263
Rises	807	959	973
Falls	900	764	723
Unchanged	556	550	567
New Highs	64	58	61
New Lows	24	13	12

CANADA

TORONTO	Jun 2	Jun 1	May 29	May 28	1992 HIGH	1992 LOW
Metals & Minerals	3148.85	3110.82	3110.19	3097.07	3238.87 (16/1)	2828.26 (8/4)
Composite	3410.20	3403.98	3387.93	3375.34	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1795.52	1796.45	1784.66	1779.43	1937.99 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jun 2	Jun 1	May 29	May 28	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1676.3	1674.4	1678.3	1676.5	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	712.4	711.8	712.1	711.5	717.20 (25/2)	660.38 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	416.41	413.29	411.38	(c)	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	1002.09	990.20	987.14	(c)	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1235.40	1232.57	(c)	(c)	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	347.73	347.75	347.48	(c)	365.29 (15/1)	326.35 (9/4)
FINLAND						
HEX General (28/12/90)	820.4	829.2	837.7	(c)	935.90 (24/2)	778.30 (9/4)
FRANCE						
CAC General (31/12/82)	548.16	548.31	547.89	(c)	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	2024.87	2017.40	2033.29	(c)	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	718.22	718.34	721.17	(c)	725.26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	2025.2	2026.0	2035.8	(c)	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1801.39	1798.14	1803.22	(c)	1811.57 (25/5)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	6059.39	6056.00	6080.15	5988.13	6082.70 (27/5)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1376.09	(c)	1378.99	1381.36	1469.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital. (1972)	500.31	497.98	496.60	494.62	551.59 (6/2)	472.72 (15/5)
MIB General (2/1/92)	987.0	983.0	980.0	976.0	1086.00 (5/2)	932.00 (15/5)
JAPAN						
Nikkei (16/5/49)	18125.55	18004.11	18347.75	17931.25	23801.18 (6/1)	16598.15 (9/4)
Tokyo SE (Topix) (4/1/68)	1364.58	1360.54	1376.32	1356.31	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	2040.03	2036.17	2037.34	2027.38	2459.85 (6/1)	1910.56 (9/4)
MALAYSIA						
KLSE Composite (4/4/86)	586.74	585.33	589.69	600.17	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	314.6	312.6	314.4	(c)	314.70 (26/5)	274.00 (8/1)
CBS All Shr (End 1983)	215.3	214.8	215.1	(c)	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	763.92	763.65	765.55	(c)	772.74 (18/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1405.72	1387.79	1399.45	1403.35	1440.91 (26/5)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	405.96	404.96	408.31	408.04	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1086.0	1073.0	1090.0	(c)	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4646.0	4630.0	4665.0	(c)	4665.00 (29/5)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	567.34	569.19	570.93	578.63	691.48 (9/2)	567.34 (2/6)
SPAIN						
Madrid SE (30/12/85)	262.05	260.65	261.06	259.04	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	992.2	998.5	991.5	(c)	1014.50 (11/5)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	876.9	875.1	874.6	(c)	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	673.0	671.0	671.0	(c)	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4468.94	4456.85	4519.27	4501.02	5391.63 (30/1)	4268.17 (11/5)
THAILAND						
Bangkok SET (30/4/75)	677.10	698.90	688.84	704.83	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) (S)	511.8*	513.1	513.7	507.3	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	975.84	974.48	975.70	969.85	976.55 (25/5)	870.31 (2/1)

**Saturday May 30: Taiwan Weighted Price: 4496.58, Korea Comp Ex. 574.20.
a Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 2 June 1992

	Stocks Traded	Closing Prices	Change on day
Nippon Mining	8.4m	484	+6
Chiyoda	7.9m	1830	+80
Asahi Chem	6.6m	702	+16
Mazda Motor	4.4m	621	+80
Nihon Nohyaku	4.3m	1220	+100
Nippon Formula	4.0m	600	-3
Sumitomo Chem	3.8m	465	+8
Nippon Express	3.7m	702	+2
Toyo Eng	3.3m	1050	+40
Japan Metal	3.2m	796	

2:00 pm prices June 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¾	AAR Corp	0.48	3.7	16	121	13	12⅞	13	+⅛
25	20⅞	A L Labs A	0.18	0.8	92	667	23½	23⅛	23⅛	-⅛
68¾	56	AMP Inc	1.52	2.5	24	893	60⅞	60½	60⅝	-¼
80¼	60⅞	AMR				1712961	65⅞	64½	65⅛	+1
2⅞	1⅛	ARX			2	20	1⅛	1⅛	1⅛	
53½	40¾	ASA x	2.00	4.6	12	640	45⅞	44½	44½	-½
34¼	29½	Abbott Lab	0.80	1.8	25	8820	33⅝	32⅞	33⅛	-⅛
13⅞	12	Abitibi Pr	0.42	3.2	9	10	13⅛	13⅛	13⅛	
11⅝	10⅛	ACM Gvt In	0.96	8.7		825	11⅛	11	11	
10⅞	9⅛	ACM GvOpp	0.80	8.4		47	9⅝	9½	9½	
9½	8½	ACM Gvt Sp x	0.80	8.9		115	9	8⅞	9	
11¼	10⅛	ACM Gvt Sc r	0.96	9.0		197	10¾	10⅝	10⅝	
9⅝	8⅞	ACM Man	0.95	10.1		1588	u9⅞	9⅜	9⅜	-⅛
12⅞	10⅝	ACM Manegd	1.08	9.3		65	11⅞	11½	11⅝	-⅛
11⅛	6¼	Acme Cleve	0.40	5.7	24	200	7⅛	6⅞	7	+⅛
6¼	4½	Acme Elect			4	30	5	4⅞	5	
33¼	18⅞	Acuson			14	255	22	21⅞	22	
19½	16⅛	Adams Expr	0.48	2.5	0	92	19	18⅞	19	+⅛
49⅛	39	Ad Micro	3.00	7.4		27	40½	40⅛	40½	+¼
21½	14⅝	Ad Micro P	3.00	19.4	6	852	16½	15⅞	15½	
9⅛	6	Advest Grp	0.16	2.4	66	66	6⅝	6⅛	6⅝	
71⅞	68	Aegon ADR	1.60	2.2	6	14	68¼	67½	68¼	+1
47	38⅜	Aetna Li	2.76	6.8	7	467	42⅞	40½	40⅞	-⅛
[illegible]										

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge
53½	50½	XeroxA.125 >				2100	53	53	53	+⅛
28½	24⅞	Xtra 1.94	1.94	7.1		4	27¼	27	27¼	−⅛
37	28½	Xtra Corp	0.80	2.3	12	14	34⅞	34⅛	34⅞	−⅛
27	25¼	Yankee Eg x	1.66	6.3	12	13	26½	26⅜	26½	+⅛
1½	½	Zapata			56	607	1⅛	1⅛	1⅛	−⅛
11⅛	6¾	ZenithElec				41788	8⅝	8½	8½	−⅛
18⅞	14½	Zenith Nat	1.00	5.6	5	147	18	17⅞	17⅞	−⅛
7⅛	6	Zenix Inc	0.85	12.3		71	6⅞	6¾	6⅞	+⅛
13¾	11	Zero Corp	0.40	3.5	18	109	11½	11⅛	11⅞	−⅛
38	30½	Zurn Ind	0.88	2.8	33	66	31	30¼	30⅞	
14⅛	12¾	Zweig Fund	1.16	9.0		68	13	12⅞	12⅞	
11	9⅞	Zweig Tst	1.00	9.6		519	10½	10⅜	10½	+⅛

Price data supplied by Telekurs.

Owing to technical problems at Telekurs US & Canada prices are 2.00pm EST. Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2:00 pm prices June 2

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	33	253	12⅞	12⅜	12⅞	+⅛
Penn	0.80	27	28	13⅛	13	13	−⅛
Pet HK&P	0.31	15	15	13⅝	13½	13⅝	+⅛
Phil LD	0.24	18	1012	45	45⅞	45	+1⅛
Pitway A	1.10	16	6	30¼	30⅛	30¼	+⅛
Pty Gam	0.12	27	46	13⅝	13½	13⅝	

NASDAQ NATIONAL MARKET

2:00 pm prices June 2

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Vical Sys		141	1844	4⅜	4⅛	4⅛	−⅛
Willmette	1.08	28	560	36⅞	35¼	36¼	+⅛
WinSonnens		237	1024	12¼	d11½	11⅞	−⅛
Wiser Oil x	0.40	94	2	16	15¾	16	+⅛
Wolohan Lz	0.28	15	11	20⅛	20⅛	20⅛	−⅛
Wolv Expl		0	71	1/32	1/16	1/32	−1/16
WhEshRSA			52	1/32	1/16	1/16	
Worthgtn z	0.48	26	46	23⅞	23⅛	23¼	+⅛
WPP Group	1.11	1	1264	2 1/16	2 1/16	2 1/16	+⅛
Wyman-Gdn	0.40	0	34	4½	4⅜	4⅜	−⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		28	976	24¼	23½	24	−⅛
Xoma Corp		12	1394	20⅛	20	20⅛	−⅛
Yellow Fr	0.94	24	60	29⅞	29⅞	29⅞	
York Rsch		51	400	6¼	6⅛	6⅛	+⅛
ZionsUtah	1.44	10	201	53	51½	53	+1⅛

AMERICA

Sharp drop in drug stocks cools enthusiasm for Dow

Wall Street

A SHARP DECLINE in drug stocks dragged US stock markets lower yesterday as the enthusiasm that had pushed the leading index to new highs *on Monday quickly petered* out, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 17.11 at 3,396.10, having spent the entire day in negative territory. The more broadly based Standard & Poor's 500 also ended lower, down 3.80 at 413.50, as did the Amex composite, 0.89 weaker at 393.95. The Nasdaq composite, however, added to Monday's gains, rising another 0.81 to 589.18. Turnover on the NYSE was 203m shares.

Although analysts hailed Monday's close above 3,400 on the Dow as an important breakthrough, investors showed little inclination to take stocks much higher.

Sentiment was not helped by a smaller-than-expected 1.3 per cent rise in April single-family home sales, another indication that the recovery in the housing market may have stalled.

Among individual stocks, Bristol Myers-Squibb plunged $7¼ to $66½ in turnover of 7.7m shares after the drug group announced that it expected second quarter sales to be up less than 5 per cent from a year ago, due primarily to low wholesalers' inventories.

The weakness in Bristol Myers spread throughout the drugs sector, with all the leading stocks posting losses. Pfizer fell $3¼ to $71½, Merck gave up $1¾ at $49⅝, the ADRs of UK group Glaxo slipped $1⅛ to $27¼, Schering-Plough fell $2⅛ to $50⅝ and Upjohn gave up $1 at $34⅝.

Unisys rose $⅝ to $9⅞ in turnover of 1.6m shares after the company said it was ahead of schedule in its plan to cut costs by $800m annually by the end of this year.

Harley-Davidson dropped $2⅞ to $55⅞ after the company told its dealers that motorcycle output has been slowed by a one-week production backlog, which will not be made up in the June quarter.

General Electric fell $⅞ to $75⅜ after the defence department suspended future aircraft engine contracts with the company because of allegations that GE committed fraud in jet engine contracts with Israel.

On the Nasdaq market, Sun Microsystems fell $2 to $26 as investors reacted to the news that the Baltimore-based broking house, Alex Brown, had removed the stock from its "emphasis list".

Advanced Telecommunications rose $⅛ to $20 after the company said that it was in talks regarding a possible merger with an unnamed company.

Canada

TORONTO PRICES closed little changed in moderate trading. According to preliminary figures, the TSE 300 composite index gained 6.22 points, or 0.18 per cent, to close at 3,410.20. Advancing issues outnumbered declines 277 to 256.

Volume was 25.8m shares, up from Monday's 22.8m, and trading value rose to C$327.5m from C$303.3m.

Ten of 14 stock groups closed higher, led by transportation, up 2.3 per cent. The day's biggest decline belonged to the industrial products group, off 0.9 per cent. Financial services also closed lower.

Foreign investors take stock of China

But caution is required as the markets are opened up to the west, writes **Simon Davies**

It has not been a perfect introduction to capitalism; and it is taking place in communist China, where two people have been killed over places in the queue as they battle to buy shares in a stock market which is showing scant regard for both fundamentals and the laws of gravity.

Since the beginning of March, the Shenzhen index, which tracks the stock movements of one of China's two official stock exchanges, has jumped 171 per cent, in spite of the number of stocks on the market almost doubling in the same period. It makes the performance of the market in neighbouring Hong Kong appear pedestrian.

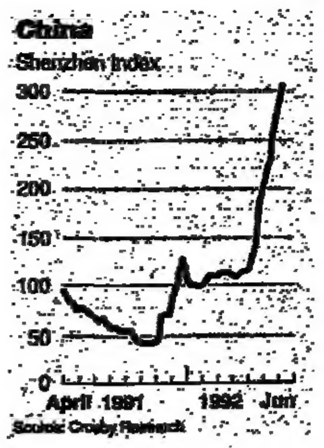
People in Shenzhen start lining up in the broking houses' transaction queues in the evening, so that they can have a chance of buying stocks the next morning. Gangs have started selling positions in the queue and fights break out daily, with two deaths and more than 450 arrests so far this year.

Shanghai, the other showpiece exchange, has taken a less frenzied approach, as befits its greater proximity to Beijing. But it has still been chaotic.

The index rose more than 100 per cent in one day when price restrictions were lifted two weeks ago, but in two trading days during the following week it fell 19 per cent when the authorities outlawed investment syndicates. The fact that new issues are offered through a lottery system has not inspired international confidence.

It has not been all one-way trade; a local investor recently committed suicide over losses on an investment in Shanghai Yangzhong Industrial, a stock which is currently the subject of a market manipulation investigation. But official reminders of the risks are going unheeded.

At the start of the year, foreigners were allowed to join the fight for shares. The Shenzhen exchange permitted its Shanghai counterpart to issue the first tranche of China shares to foreign investors, but the southerners have expanded more aggressively.



The Shenzhen market boasted six listed companies in January and these were all A shares, only available to local investors.

During the year a further nine have been added, with six of these issuing B shares, which can be purchased by foreigners. Analysts expect there to be at least six more Shenzhen B share issues by the end of the year.

Shanghai has 14 listed companies, of which only Shanghai Vacuum has issued B shares. However, at least seven more companies will issue B shares this year.

The foreign issues have been well received. The average premium to issue price of the six Shenzhen B share issues was more than 380 per cent on Friday. The most recent issue, Shenzhen Petrochemical, jumped 386 per cent in its first eight trading days.

This performance is being reflected in the number of China funds being launched. So far more than 10 funds focusing primarily on B shares have been launched or are in the pipeline. These have attracted a lot more than the $150m so far raised from the issue of China shares to foreigners.

Fundamentals are being ignored. On Friday's closing prices, the average 1992 price-earnings ratio for B shares was 52, compared with under 10 for similar manufacturing companies in Hong Kong.

Cynics expect to see a repeat of the experience in Indonesia, once a favoured emerging market. The market was eventually swamped with new paper, while some earnings forecasts were found to have been plucked from the air; share prices have slumped for the past two years.

There is also concern over the level of regulation in China. At present there is no companies law, there is little appreciation of international accounting standards and a very limited *scale of investor* protection.

The Chinese authorities are not renowned for their subtlety in dealing with perceived problems. Further measures are possible, but barring significant intervention, the downside is seen as limited until China can issue sufficient new paper to absorb massive foreign demand.

EUROPE

Automotive shares lively as French equities rise

BOURSES seemed to be recovering yesterday from last Thursday's Ascension Day holiday which, until Monday evening, seemed to be extended in spirit if not in fact, *writes Our Markets Staff.*

PARIS improved with the automotive sector in lively form. The CAC-40 index closed up 7.47 at 2,024.87 in turnover of some FFr2bn.

Peugeot gained in early trade on the positive outlook for the US car industry. The car group rose to an intraday high of FFr802.00 before the release of disappointing May sales figures sent it down to close off FFr4 at FFr789. However, in spite of Peugeot's fall yesterday the shares have outperformed the index by 21 per cent in the last year.

Michelin also took comfort from the US data, and a buy note, to close up FFr4.40 at FFr219.40. Eurotunnel lost 55 centimes to FFr35.95 following an announcement by the regulator that recent price movements were to be investigated. Some analysts commented that the warrants have been more volatile than the shares recently; yesterday they were down 2 centimes at 29 centimes.

FRANKFURT stayed firmly in its consolidation phase, the DAX index closing just 3.25 higher at 1,801.39 after a 0.12 decline to 718.22 in the FAZ at midsession. Turnover remained low after Monday's DM5.1bn.

News did not help share prices. A Siemens Eurobond issue with warrants to raise some $1.3bn apparently ended an existing game in the expiring 1986/92 warrant series, and the shares fell DM4.60 to DM689.40.

Meanwhile, *Schering* was unhappy about government proposals to freeze pharmaceutical prices for two years; the shares fell DM6.80 to DM786.50.

There was an upswing in steels, and some engineers. In construction, Bilfinger rose DM17 to DM1,075 on a 50 per cent rise in 1991 profits.

FT-SE Eurotrack 100 - Jun 2							
Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1200.25	1200.68	1200.55	1200.99	1200.95	1200.87	1200.67	1200.27
Day's High 1201.76				Day's Low 1199.14			
Jun 1	May 29	May 28	May 27	May 26			
1196.12	1199.58	1195.22†	1194.56	1196.37			

Base value 1000 (26/10/90). † Partial.

MILAN returned to life as its computerised trading system came back on stream, turnover recovering from a truncated L63bn as the Comit index rose 2.33 to 500.31.

Interest centred on industrials, high asset value stocks lagging behind because of fears that the government might impose a wealth or real estate tax. Fiat rose L67 to L5,407, climbing to L5,430 after hours, while the agro-industrial and chemicals group, Montedison, was L23 better at L1,503.

AMSTERDAM picked up as the dollar strengthened and the CBS Tendency index finished 0.8 firmer at 131.1. Turnover was a moderate Fl 800.3m.

Attention remained focused on KLM which reports its annual figures tomorrow. There is a wide range of analysts' forecasts to pick from, but all point in a positive direction. The shares were 30 cents weaker by the close at Fl 39.60.

Fokker improved 80 cents to Fl 35.50 on unconfirmed reports that negotiations between the aircraft group and Dasa were nearing completion.

ZURICH's SMI index put on 7.1 to 1,930.4, brokers saying that buying came mostly from foreign investors.

STOCKHOLM lost most of *Monday's gains, the Affärsvärlden* General index falling 5.7 to 992.7 after the suspension of interest payments by two units of the real estate company, Coronado.

The company said that SE-Banken and Nordbanken were its main creditors. SE-Banken A lost SKr3 to SKr36.50 in heavy volume. Meanwhile, the insurer, Skandia, Sweden's largest real estate owner, saw its B SKr6 lower at SKr113.

HELSINKI fell another 1.1 per cent after the 1.0 per cent fall on Monday, the Hex index closing 8.8 lower at 820.4. Forestry shares rose by 0.3 per cent on average, due to investor interest in Finnish export companies, but banks and finance houses fell 1.7 per cent after KOP's report last week of a widening loss for the first four months of this year.

VIENNA rose in active trade with the ATX index up 11.89 to 1,002.09. *The market* was still buoyant following Monday's successful placing of 5.4m new shares in Vienna airport. Some analysts said that the shares were being traded on the grey market at Sch370 for a Sch35 premium over the issue price. Dealing is expected to begin by mid-month. Elsewhere OMV gained Sch21 to Sch932.

BRUSSELS was lifted by interest in cyclical stocks. The Bel-20 index closed up 2.84 at 1,235.40 in volume estimated at BFr957m.

Solvay advanced BFr175 to BFr13,600 for its fourth consecutive rise, while Petrofina fell BFr50 to BFr10,750.

MADRID rose on good institutional buying with the utilities sector leading the way. Endesa gained Pta90 to Pta3,735. The closing index was delayed by technical problems in Spain.

ASIA PACIFIC

Light overseas bargain hunting lifts Nikkei

Tokyo

EQUITIES gained ground in low volume yesterday, with most investors remaining inactive ahead of next week's expiry of June futures contracts, *writes Emiko Terazono in Tokyo.*

The Nikkei average rose 121.44 to 18,125.55. It fell briefly below 18,000 in the morning session, to 17,953.33, on arbitrage unwinding, but light bargain hunting by foreign investors and public pension funds lifted share prices and the index reached a high of 18,308.11 in the afternoon.

Volume rose slightly from 190m shares to 200m. Dealers and investment trusts focused on short-term trading of speculative theme stocks.

Advances led declines by 478 to 425 with 191 unchanged. The Topix index of all first section stocks rose 4.04 to 1,364.58 and, in London, the ISE/Nikkei 50 index rose 4.45 to 1082.67.

Traders said that institutional investors were waiting for a chance to buy at cheaper levels on the expiry of June futures contracts. Due to the low volume in the September futures and the low price level, the bulk of the arbitrage positions held against June contracts have not been rolled over against their September counterparts.

Mr Masami Okuma at UBS *Phillips & Drew* said that with the expiry for June contracts only one week away, investors expect unwinding to peak next week, presenting a favourable opportunity for bargain hunting.

Investors are also waiting for next week's announcement of the Bank of Japan's *tankan*, or quarterly survey of business sentiment. Mr Robert Feldman at Salomon Brothers Tokyo, forecasts weak figures, since a similar survey conducted by the ministry of international trade and industry indicated that 75 per cent of those surveyed cited poor business conditions.

Mazda Motor rose by its daily limit of Y80 to Y521 on dealer buying. Reports that the company had developed recyclable plastic for car bodies spurred buy orders.

Other automotive stocks were weak on the year-on-year 12 per cent decline in car sales for May, making this the third consecutive month in which they have fallen. Toyota Motor fell Y10 to Y1,490 and Nissan Motor declined Y14 to Y603.

Foreign buying lifted Nippon Express, the leading parcel delivery company, by Y2 to Y706. Investors were encouraged by the company's forecast of a 4 per cent rise in pre-tax profits for the current year to next March.

Speculative theme stocks dominated trading. Nihon Nohyaku, the agrochemical manufacturer, jumped Y100 to Y1,220. However, Nippon Formula Feed, which originally rose on reports that the company had developed special food for tuna, lost Y3 to Y600 on profit taking.

In Osaka, the OSE average fell 0.62 to 20,833.00 in volume of 17.1m shares.

Roundup

SMALLER markets in the region made most of the running yesterday.

MANILA moved up on reports of new oil finds south of the Philippine capital. The composite index climbed 17.93 or a little over 1 per cent to 1,405.72, driven by a 6 per cent rise in the oil sector.

Shell's discovery of oil and gas off southern Palawan island followed Saturday's start of commercial drilling at nearby West Linapacan, a major oil find last year. Continued buying from foreign investors took turnover at Manila's two bourses up from 187.3m pesos to 256.05m.

NEW ZEALAND came back from a day's holiday to higher profits from the heavyweight blue chip, Telecom, which gained 5 cents to NZ$2.15 in unusually heavy volume of 10.1m shares, lifted by heavy buying in the US.

The NZSE-40 index closed 9.77 higher at 1,584.64 in turnover up from NZ$41.2m to NZ$44.6m.

TAIWAN's major players stepped up their efforts in small-capitalisation stocks, following their recent sharp falls. The weighted index recovered 12.09 to 4468.94.

AUSTRALIA was little changed following news that the economy grew 0.6 per cent in the March quarter, the All Ordinaries index closing 1.9 higher at in turnover up from A$170m to A$225m.

Foster's Brewing initially fell 12 cents on news that BHP had appointed receivers and managers to IBI, a wholly-owned subsidiary of International Brewing Holdings which holds a 32 per cent stake in Foster's. But it finally closed up 1 cent at A$2.00. BHP lost 2 cents to A$14.40.

BANGKOK turned jittery as the Thai parliament delayed naming a new prime minister, and the SET Index plunged 21.8, or 3.1 per cent to 677.10. Volume was thin, down from *Bt3.2bn to Bt2.4bn.*

SEOUL fell to a new 1992 intraday low, the composite index hitting 564.53 at midday, its lowest since September 1990. It recovered to end at 567.34, only 1.85 lower on the day.

SINGAPORE was little changed ahead of a 0.25 percentage point cut in the prime rate by one of the banks after the close.

BOMBAY rebounded after restrictions were imposed on on fresh selling. The BSE index ended up 132.59 to 3,133.83.

SOUTH AFRICA

STRONGER precious metal prices helped to reverse Monday's declines. The overall index rose 18 to 3,722 while the gold index put on 13 to 1,086. Industrials advanced 16 to 4,646. Anglos picked up R2.35 to R124.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 2 1992								MONDAY JUNE 1 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	151.91	+0.1	123.41	122.43	126.96	133.37	+0.2	4.12	151.70	123.37	122.16	126.98	133.16	153.68	140.94	138.20
Austria (19)	172.56	+0.8	140.19	139.08	144.22	144.59	+1.0	2.08	171.26	139.28	137.92	143.35	143.22	186.70	162.48	200.32
Belgium (46)	144.39	+0.8	117.30	116.36	120.67	117.86	+0.6	5.18	143.28	116.53	115.38	119.93	117.14	148.19	135.87	133.04
Canada (115)	127.40	+0.1	103.50	102.67	106.47	111.07	+0.1	3.30	127.25	103.48	102.47	106.50	110.99	142.12	125.80	141.23
Denmark (35)	253.61	+0.6	206.03	204.40	211.95	213.17	+0.4	1.72	252.02	204.96	202.96	210.95	212.34	273.94	228.81	238.97
Finland (15)	77.78	−1.4	63.18	62.69	65.00	71.47	−0.7	1.98	78.90	64.17	63.54	66.04	72.01	89.80	73.64	116.62
France (104)	165.82	+0.5	134.71	133.63	138.57	140.40	+0.3	3.35	164.95	134.15	132.83	138.05	139.98	168.75	148.06	137.02
Germany (65)	123.84	+0.1	100.60	99.82	103.49	103.49	+0.0	2.24	123.68	100.57	99.59	103.50	103.50	124.92	114.67	113.51
Hong Kong (55)	254.05	+0.0	206.38	204.75	212.33	252.40	+0.1	3.25	253.94	206.52	204.50	212.56	252.27	254.87	176.38	152.44
Ireland (16)	157.59	−0.4	128.02	127.01	131.70	133.62	−0.4	4.07	158.24	128.69	127.43	132.45	134.12	173.71	151.78	155.55
Italy (78)	73.14	+0.7	59.42	58.94	61.12	66.09	+0.6	3.20	72.60	59.04	58.46	60.76	65.71	80.86	68.39	82.00
Japan (473)	105.08	+0.2	85.36	84.69	87.83	84.69	+0.3	1.00	104.82	85.25	84.41	87.75	84.41	140.95	88.70	137.37
Malaysia (69)	234.29	+0.7	190.33	188.82	195.80	228.38	+0.4	2.70	232.56	189.13	187.28	194.66	227.37	250.18	212.49	241.10
Mexico (18)	1695.91	+1.3	1377.72	1366.82	1417.33	5773.11	+1.2	0.99	1674.84	1362.09	1348.77	1401.90	5703.22	1799.77	1376.91	1078.41
Netherland (25)	161.63	+0.8	131.30	130.26	135.08	133.52	+0.7	4.18	160.28	130.35	129.07	134.16	132.69	161.74	147.89	140.40
New Zealand (14)	47.46	+0.6	38.56	38.25	39.67	47.05	+0.7	5.44	47.10	38.31	37.94	39.43	46.71	48.52	42.01	51.82
Norway (23)	187.62	+0.0	152.42	151.22	156.81	159.55	+0.1	1.59	187.59	152.59	151.07	157.02	159.46	192.95	161.26	205.55
Singapore (38)	226.49	+0.2	183.99	182.54	189.28	170.33	+0.5	1.96	226.12	183.90	182.10	189.27	169.49	228.43	192.78	206.19
South Africa (61)	246.87	+1.5	200.55	198.96	206.31	188.04	+0.7	2.71	243.26	197.84	195.90	203.61	186.72	263.60	203.16	217.00
Spain (50)	161.72	+0.7	131.38	130.35	135.16	122.76	+0.5	4.95	160.53	130.55	129.28	134.38	122.10	181.72	146.86	160.55
Sweden (27)	199.78	−0.3	162.29	161.01	166.96	171.16	−0.4	2.59	200.28	162.88	161.30	167.65	171.89	200.28	173.09	198.75
Switzerland (60)	107.75	+0.4	87.53	86.85	90.06	97.56	+0.4	2.19	107.32	87.28	86.43	89.84	97.21	107.75	95.99	94.71
United Kingdom (228)	198.48	+0.4	161.24	159.95	165.86	161.24	+0.3	4.63	197.74	160.82	159.23	165.50	160.82	200.07	165.85	170.50
USA (522)	168.72	−0.9	137.07	135.99	141.01	168.72	−0.9	2.96	170.21	138.43	137.06	142.48	170.21	171.66	160.92	156.91
Europe (791)	156.60	+0.4	127.22	126.21	130.88	129.74	+0.3	3.78	155.94	126.82	125.58	130.53	129.37	156.88	139.31	139.73
Nordic (100)	187.34	+0.1	152.19	150.98	156.56	153.50	−0.1	2.12	187.14	152.19	150.71	156.64	153.59	188.52	169.66	185.01
Pacific Basin (718)	111.50	+0.2	90.58	89.87	93.19	90.97	+0.3	1.37	111.24	90.46	89.58	93.11	90.69	141.97	94.40	137.65
Euro – Pacific (1509)	129.76	+0.3	105.42	104.57	108.44	107.00	+0.3	2.53	129.34	105.19	104.15	108.25	106.66	145.21	113.80	136.82
North America (637)	166.13	−0.8	134.96	133.91	138.86	164.80	−0.8	2.97	167.52	136.24	134.92	140.24	166.18	169.69	158.70	155.85
Europe Ex. UK (563)	131.67	+0.5	106.96	106.14	110.06	111.55	+0.3	3.14	131.06	106.59	105.56	109.72	111.21	131.77	121.81	120.84
Pacific Ex. Japan (245)	174.79	+0.2	142.00	140.89	146.09	155.65	+0.2	3.48	174.45	141.88	140.51	146.04	155.24	175.31	149.00	139.92
World Ex. US (1703)	132.00	+0.4	107.24	106.40	110.32	109.38	+0.3	2.54	131.53	106.97	105.93	110.10	109.04	146.91	116.45	140.22
World Ex. UK (1997)	138.20	−0.2	112.27	111.39	115.51	124.29	−0.2	2.45	138.48	112.62	111.52	115.92	124.57	150.58	127.21	142.33
World Ex. So. Af. (2164)	142.71	−0.2	115.93	115.03	119.28	127.19	−0.2	2.71	142.93	116.24	115.11	119.65	127.41	153.05	130.04	144.36
World Ex. Japan (1752)	164.92	−0.3	133.96	132.93	137.85	152.48	−0.3	3.27	165.35	134.47	133.17	138.43	152.98	165.40	153.20	150.10
The World Index (2225)	143.39	−0.1	116.49	115.57	119.84	127.74	−0.2	2.71	143.58	116.77	115.63	120.19	127.95	153.70	130.66	144.80